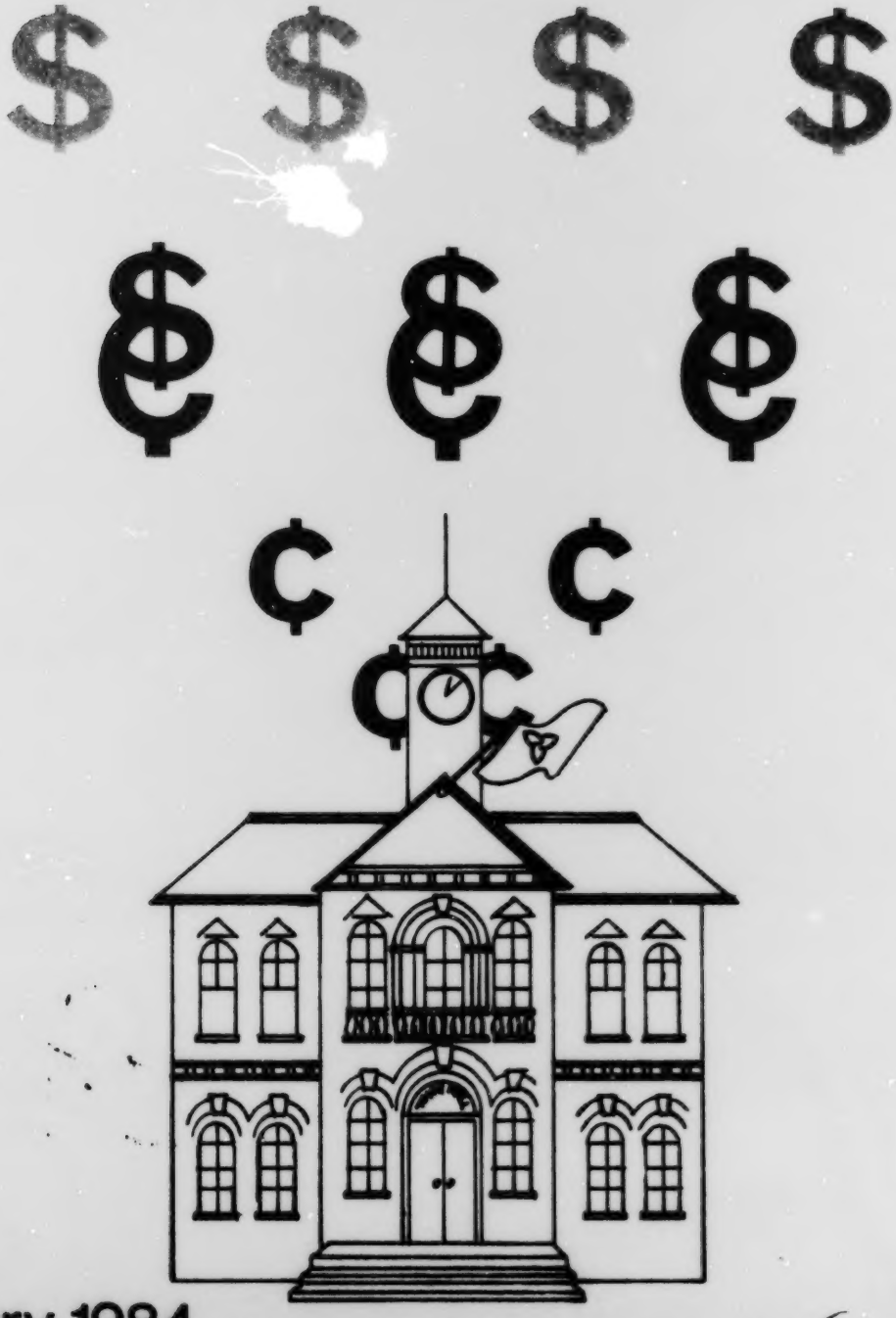
Ontario

A Management Advisory Publication

Municipal Operating Budgets



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Municipal Operating Budgets

Extending the Decision Making Perspective

Ministry of
Municipal Affairs
and Housing

Honourable
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Minister

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January 1984

FOREWORD

Up until the mid-seventies, most Ontario municipalities relied solely on a "line-item" approach in preparing their annual operating budget. Double digit inflation, property tax restraint and accelerated demand for new services during the past few years have motivated many councils and staffs to examine recent budget innovations. The aim of this publication is to provide municipal policy-makers with a practical review and assessment of recent developments in budgeting, and encourage these elected and appointed leaders to re-examine their decision-making processes.

In municipal government, the operating budget is the primary management tool to put in place all the program and activity plans for the year and ensure that they complement the long-range goals and objectives of the municipality. All politicians and staff alike have grappled with the problem of trying to accommodate a new program or service level improvement without disturbing the historical level of taxation. The budget system should permit some selective choices.

The line-item approach unfortunately builds incrementally on the generous assumption that past councils and staff have made the right decisions. A better budget system is needed which will allow decision-makers flexibility to add new programs, amend existing ones, and will provide the controls to get the job done efficiently and effectively. The politican's responsibility is to know where funding is available and how to get it out of the "budget" (in order to provide greater protection for his inhabitants, keep the water lines flowing and plow his streets).

It is important to know the answers to such key questions as:

How much revenue is available?
How have we divided it?
Why do we divide it that way?
Is there another way?
What are the expected results of our expenditure commitments?

With increasing pressure by ratepayers to do more for less, budget reform is beginning to occur in our city halls. The addition of performance features to the budget process expands the potential to identify and deliver services in the most efficient and effective manner to the electorate.

The reform options available to improve decision-making include:

1. Program features - which focus on the purpose of activities;
2. Zero-base features - which focus on the priority of activities;
3. Performance features - which focus on the productivity of activities;
4. Planning features - which focus on analyses having a more long-term perspective.

When properly integrated, budget approach changes can improve the decision-making role of the municipal councillor and appointed staff.

In order for the councillor to get more funding for his constituents, he has to understand the rules and the underlying assumptions of the exercise. While you may have not formalized a step-by-step long-range plan, everyone has a conceptual strategic plan. It can be implemented by getting involved and understanding the budget process.

Understanding your budget system and investing the time to read this management document will pay dividends and help you become a more effective and re-electable politician or a more knowledgeable and relied upon staff member.

The preparation of this publication represents the collaborative effort of the principal author, Professor John T. Bart of Brock University and members of the staff of the Ministry of Municipal Affairs and Housing, together with David Creech, Treasurer of the Borough of East York (Representing the Treasurer's Advisory Committee of the Association of Municipal Clerks and Treasurer of Ontario).

OVERVIEW

This publication explores the potential of innovative budgeting systems to improve resource allocation decisions at the policy-making level of local government. Municipal legislators and senior staffs are the intended audience since they have the responsibility for determining and executing these decisions. In providing both a political and a managerial perspective on the implications of these innovations, the monograph encourages leaders in local government to reflect upon the effectiveness of their decision-making process.

Chapter I identifies the municipal operating budget as the eventual repository for all of the municipality's resource allocations. Since the municipality's budget process is central to these decisions, the political and staff contributions that are vital to all phases of the process are reviewed. These contributions are referenced to the organization's strategic responsibilities to the electorate.

The traditional (line-item) approach to budgeting is the subject of Chapter 2. This approach is recognized as providing management with a means of controlling expenditures. However, major presumptions inherent in this approach are noted as limiting the potential of municipal organizations to engage in fully informed decision-making. Specifically, council and staff are often predisposed to maintain the status quo of largely unidentified municipal purposes, priorities and policies, and to continue existing levels of productivity.

Chapter 3 contains a description of the major features of budgeting innovations which challenge the status quo and productivity presumptions of traditional budgeting. Program features are identified as focusing on the purpose of work; zero-base features, on the priority of work; performance features, on the productivity of work; and, planning features, on the analyses of work. This review of innovative budgeting features indicates that considerable benefits are available from an explicit identification of the strategic issues confronting municipal decision-makers.

In Chapter 4 it is noted that in spite of a developing fiscal dilemma and political and staff dissatisfaction with traditional budgeting, there generally are insufficient pressures to inspire major budget reform. Only when a

strategic perspective by decision-makers at the senior staff and council levels is evident can municipal decision-making improve. Hopefully, through management development programs and publications such as this, elected members and appointed staff will be motivated to re-examine their decision-making processes.

This publication concludes with five appendices containing extracts from actual municipal budgets involving line-item, program, zero-base, performance and planning features. These extracts all pertain to budget data for a parks and recreation department. Consequently, the reader can observe the different types of information and data available in five municipalities for essentially the same types of resource allocations. It is hoped that an awareness of this diversity of approaches will encourage municipal decision-makers to review the adequacy of their budgeting systems. A number of municipalities have already opted to enrich their systems with innovative techniques.

TABLE OF CONTENTS

	PAGE
Foreward	i
Overview	iii
CHAPTER 1 THE STRATEGIC ROLE OF BUDGETING	
INTRODUCTION	1
STRATEGIC RESPONSIBILITY	1
THE BUDGET PROCESS	4
BUDGET PREPARATION	4
Municipal Purpose	4
Priority of Purpose	5
Municipal Policy	6
Political Influence	6
Staff Influence	7
Preparing Budget Estimates	9
BUDGET ADOPTION	10
Timing of the Budget Debate	11
BUDGET EXECUTION	12
Value for Money	12
Monitoring	13
SUMMARY	14
CHAPTER 2 TRADITIONAL BUDGETING	
INTRODUCTION	16
TRADITIONAL BUDGET SYSTEMS	16
PRESUMING THE STATUS QUO	17
Budget Preparation	18
Budget Estimates	18
Spending Guidelines	19
PRESUMING PRODUCTIVITY	20
Accountability	20
BUDGET ADOPTION	21
Budget Data	21
Budget Debate	22
SUMMARY	22

TABLE OF CONTENTS

	PAGE
CHAPTER 3 INNOVATIONS IN MUNICIPAL BUDGETING	
INTRODUCTION	24
SCOPE OF BUDGET REFORM	24
PROGRAM FEATURES	25
Program Structure	26
Program Objectives	27
Organizational Structure	28
Program Funding	28
ZERO-BASE FEATURES	29
Priority Structure	30
Zero-Base Inputs	32
PERFORMANCE FEATURES	33
Performance Measurement	33
Data Requirements	35
Using Performance Data	35
PLANNING FEATURES	37
Multi-Year Planning	37
Cost-Benefit Analysis	38
SUMMARY	39
CHAPTER 4 CONDITIONS FOR BUDGET REFORM	
INTRODUCTION	43
PRESSURES FOR REFORM	43
The Financial Dilemma	44
The Managerial Alternative	45
Management Dissatisfaction	45
STRATEGIC PERSPECTIVE	48
The Political/Managerial Environment	49
Staff Initiatives	50
Council Initiatives	51
Management Development	52

TABLE OF CONTENTS

		PAGE
APPENDIX: BUDGET EXTRACTS		54
APPENDIX A	LINE-ITEM BUDGET DATA	55
APPENDIX B	PROGRAM FEATURES	60
APPENDIX C	ZERO-BASE FEATURES	65
APPENDIX D	PERFORMANCE FEATURES	72
APPENDIX E	PLANNING FEATURES	78

THE STRATEGIC ROLE OF BUDGETING

INTRODUCTION

A municipality's operating budget lies at the heart of the political and managerial processes in local government.[1] Spending and revenue decisions form the basis of the elected member's accountability to the electorate, which in turn serve as the major reference point for virtually all of the decisions and activities of appointed municipal staff. Consequently, the operating budget establishes the framework for staff accountability to council.

There is widespread recognition of the need to enhance the decision-making capabilities of local governments if they are to discharge their repsonsibilities to the electorate fully and prudently. In particular, it has been noted that effective management in local government requires elected representatives "...to become good managers at the strategic, policy-making level and appointed officials...to be good managers at the tactical, operating level."[2]

The material in this chapter focuses on the requirement for effective decision-making in local government. Here the scope of decision-making is defined in terms of the range of strategic responsibilities which the municipal corporation has to the electorate. Council and staff involvement in discharging these responsibilities are identified at each phase of the municipality's budget process.

STRATEGIC RESPONSIBILITY

Broadly defined, a municipal corporation's strategic responsibility involves determining and managing the municipality's resources to further the electorate's "best interests". Voters confer upon a municipal council the authority to make the revenue and spending decisions necessary to provide for their best interests. In addition, Canadian legislation normally requires that the council of every municipality prepare and adopt each year estimates of all sums that will be required during the year.

The responsibility conferred by the electorate and accepted by council on behalf of the municipal organization is not precisely defined. A considerable array of formal definitions of strategic responsibility is available in management literature. In most definitions, two central features emerge: the responsibility to design, and the responsibility to implement, a "pattern of decisions"[3] to satisfy the purposes determined to be proper for the organization. In the municipal corporation these responsibilities may be further specified as:

(1) to decide upon the appropriate purposes, priorities and policies for the organization's activities;

(2) to decide upon the goals and performance objectives for the organization's activities;

(3) to decide on the methods of financing the organization's activities; and

(4) to monitor the efficiency and effectiveness of the organization's activities.

The decisions to discharge these responsibilities are themselves "strategic" when they:

(1) guide municipal activity over long periods of time;

(2) affect the municipality in many different ways; and

(3) commit a significant portion of municipal resources to the attainment of expected outcomes.

Some elements of this pattern of strategic decisions, such as the provision of public works and parks may be largely unchanged over long periods of time. Other elements may change in anticipation of, or in response to, changes in municipal needs. For example, local governments can be expected to increase the resources allocated to senior citizen programs and facilities as the population ages. However, it should be noted that a municipality's discretion to significantly alter expenditure patterns in the short run may be severely limited by commitments to labour unions, senior government spending programs and capital works in progress. Depending on the nature of specific decisions, they may be reflected in both operating and

capital expenditures. The reality of municipal decision-making is that the operating budget is typically the primary focus of attention and concern by both elected members and staff.

From deliberations involving current expenditures, an awareness emerges of the adequacy of the prevailing definition of proper municipal purposes, priorities, and policies. This awareness often precipitates the development of capital spending proposals to accommodate an altered definition of municipal responsibilities. Thus, the operating budget serves both to guide the determination of proper municipal responsibilities and to specify the "tactical" (largely short-term) plans and activities to work towards the discharging of these strategic responsibilities.

Given the dominant role of the operating budget and its intricate process, it is not surprising that it has become the focus for improvements to decision-making in local governments. Various budget systems have been advanced which give emphasis to management decisions involving one or more strategic responsibilities. Each system provides managers, at all levels, with a unique perspective on the budget's capabilities to assist in defining and discharging these responsibilities, for example:

- o A program budgeting system focuses on improving decisions about the purposes of municipal activities.
- o A zero-base budgeting system focuses on improving decisions about the priority of municipal purposes.
- o A performance budgeting system focuses on improving decisions about the objectives and productivity of municipal activities.
- o A planning, programming budgeting system focuses on improving the analytical capabilities and data brought to bear on a wide range of decisions, including those of purpose, productivity and financing.

The decision-making perspective provided by each of these budget systems manifests itself in various phases of the municipality's budget process. This process reflects the different roles of elected members and staff in preparing, approving and implementing the budget. It is during these phases of the budget process that municipal responsibilities are decided upon and fulfilled. In the remainder of this chapter, the several phases of a budget

process are reviewed to appraise the potential of each for improved decision-making.

THE BUDGET PROCESS

A municipality's budget process involves three steps: the preparation, the adoption and the execution of the approved spending and revenue decisions. Although a sequencing of these activities is implied in their listing, in practice all three engage the municipalities attention concurrently for the prior, current or future period. Notwithstanding the ongoing nature of the process, a timetable to produce the budget document for a particular budget period is essential. To the extent that current and future operating implications of capital expenditures are identified during the capital budgeting process, the timetable and activities of both budget processes would be expected to require considerable integration.

BUDGET PREPARATION

Budget preparation activities are dominated by the need for decisions defining the scope of the organization's activities. The range of services to be provided by the municipality must be decided before the related decisions of priority, policy, goals, financing and productivity can be made. A comprehensive awareness of proper municipal purpose gives the organization a focus for its activities. Without this focus municipal resources will be diffused and less than effectively deployed.

Municipal Purpose

The corporate form of municipal government vests in the "board of directors" - council - the legal responsibility and authority to determine the range of community needs to be provided by government or its agencies. A considerable body of management literature exists which recognizes council's discretion and responsibility in the matter of municipal purpose. For example:

- Council is responsible for "the coordination and integration of the efforts of all the people in the municipal organization in order to fulfill the purpose of municipal government as effectively and as efficiently as possible."[4]
- "It is the Council which must establish the goals and objectives of the municipality and the complementary policies. Establishment of these goals provides a framework to guide the municipality in its determination of spending priorities."[5]
- "The institution of sound management must begin with the establishment of goals and the assignment of relative priorities to them through the allocation of resources."[6]

Only infrequently does a local government have a comprehensive statement of organizational purposes. Generally municipal purposes must be inferred from the historic and projected spending and revenue decisions identified in the budget. These decisions reflect the balance among the services that the community needs, would like to have, and is able and willing to fund. For example, the decision to collect residential garbage is a decision of organizational purpose. Supplementary decisions involving the level of garbage service further define this purpose by specifying curb-side or back-door pick-up, extra pick-ups in the summer, or take-anything collections. Similarly, councils regularly decide to include in the scope of organizational purpose the provision of active recreational services. Such determinations call for further decisions involving the acquisition or leasing of land and buildings and the staff to administer, for example, arenas and golf courses. The total of all services and service levels provided by the municipal corporation and its appointed boards and commissions defines the scope of council's perception of proper organizational purpose.

Priority of Purpose

In a period of fiscal restraint or when a revenue shortfall is anticipated, spending priorities must be determined to identify those services which are deemed to have first claim on the municipality's resources.[7] In the absence of an explicit statement of priorities, the relative importance of various services may be inferred from proposed expenditures or past appropriations. For example, public works might be perceived as commanding a relatively

high priority of purpose when 30% of the municipality's revenues are allocated to this function. In comparison, parks and recreation activities may be perceived as holding a lower priority if they account for only 10% of expenditures. Such inferences are, at best, only crude approximations of priorities because of their aggregate nature. However, even these limited data might indicate implicit changes in relative priority when year-to-year comparisons of spending are considered.

Municipal Policy

Decisions of municipal purpose generate the need for service delivery policies. For example, the decision to provide snow removal services would be expected to be accompanied by a policy guideline indicating whether this service is to be provided by municipal employees, local contractors or some combination of these work forces. Guidelines may be subject to the discretion of council or precluded from consideration by, for example, union contracts. Depending upon the specific policy, budget preparation activities might consider outside tendering or as an alternative using in-house staff.

A considerable analysis and planning capability is required to explore policy alternatives for various municipal purposes and priorities. Clear direction by council to staff is required to ensure that this analytical capability is effectively utilized.

Political Influence

The distinctive competence which council brings to the responsibility of defining organizational purpose (including priority and policy) derives from the acknowledged ability of elected members to perceive accurately the services which the community needs and is prepared to fund. The political process in local government provides constituents with every opportunity to indicate their needs and desires to elected members and to those who aspire to office. The electorate's ability to induce politicians to advocate various spending programs provides the public with the potential to participate in decisions of organizational purpose. By whatever methods politicians acquire their perception of "the will of the people", it is this perception, and the authority to convert perceptions into spending decisions, that distinguishes council's contribution to the budget preparation process.

Very few individuals seeking public office campaign on a platform of maintaining the status quo at City Hall. Indeed, they are frequently elected on a platform advocating fundamental changes in services, service levels, priorities or policies. Despite the elected members' good intentions and position to effect change, altering the course of government is typically a long and difficult process. For example, a councillor "...finds that there are five-year programs already in place; that in reality there is very little room to manoeuver; and there is, in addition, very little willingness to manoeuver in any event."[8] Consequently, transforming the perception of appropriate municipal purposes into budget allocations is often an arduous and lengthy process.

Just as the responsibility to initiate change in municipal purpose is clearly within the political mandate, it is equally appropriate for council to defend proper purpose against superficially attractive alternatives that "glitter adequately but produce only fool's gold."[9] Consequently council has to choose between those services which should be altered and those which should be maintained intact. The appropriateness of council's decisions is a political issue to be resolved at election time.

Staff Influence

Council's influence on the issue of municipal purpose is not exclusive. Council intentions are guided, tempered and, on occasion, possibly resisted by the municipality's appointed staff. Staff involvement in both the formulation and subsequent implementation of purpose is becoming "increasingly pronounced."[10] While the head of council or individual councillors may advance suggestions for corporate purpose, the complexity of any particular service issue requires awareness, knowledge and reflection by staff with operating experience and expertise. This contribution is particularly valuable where one municipal service has an impact on other services.

One of staff's major responsibilities in the process of determining municipal purpose is to ensure that elected members are fully aware of the financial and other implications of their decisions. For example, a proposal to initiate or alter recreational services may have major consequences in the public works or social services areas if increased juvenile delinquency or

vandalism is a possible consequence of that initiative or increased spending on roads may increase speeding. These "linkages" must be identified and their consequences analysed and reported to council. In this matter staff experts routinely contribute to council's decisions of municipal purpose.

Recognition of the need for, and availability of, staff input does not preclude council's disregard for this competence when "political" issues of municipal purpose emerge. The "better" decision from a technical perspective may not be popular or politically acceptable and council may choose a lesser alternative. Such circumstances are an enduring feature of the council-staff relationship in local government.

Staff's contribution to determine municipal purpose may extend beyond responding to political initiatives for change. Purpose is determined by "the pattern of participation and by the management of participants' attention."[11] Staff's perceptions of the municipality's needs may generate initiatives. For example, a council may not be aware of the extent of a general deterioration in less visible public works (e.g. sewers) brought about by gradual reductions in funding to these services. In the long run this deterioration may cost the municipality more than an ongoing replacement/maintenance program. Staff have a responsibility to advise council of the consequences of deferring expenditures on these services to future years and may suggest changes in, for example, current spending priorities and service levels.

Council and staff face a dilemma when both groups generate recommendations for municipal purpose, and related budget appropriations, in the presence of limited municipal resources. With staff experts able to both propose and advise on decisions, the potential exists to slant staff reports in favour of their own perceptions of the municipality's purposes. For example, the decision to build a new city hall as against the renovation and expansion of an existing building inevitably involves staff interest and preference. A well-established and exercised presumption-of-good-faith is required by both staff and council to resolve such issues in a manner consistent with furthering the electorate's best interests.

Preparing Budget Estimates

Given an implicit or explicit definition of the services, service levels, priorities and policies, staff is responsible for preparing estimates of the spending and revenue required to realize these activities. There is no "best" way to go about these budget preparation activities; each municipality has its own process. Depending on the nature, size, structure and personnel of the organization, the budget will provide information, of more or less relevance, to decision-makers at all levels of the organization. The procedures involved in producing a budget document include:

- preparing: a budget calendar; preliminary budget forecasts; preliminary statements of budget policy; departmental statements of functions; activities and work programs; estimates of personnel services required; estimates of contractual services required; estimates of amounts required for materials and supplies; estimates of equipment and facilities needed;
- reviewing these budget estimates at the departmental and executive levels;
- formulating a revenue program based on economic conditions, revenue sources and the need to balance expenditures; and,
- presenting summary and detail data in a useful format in the budget documents.[12]

The budget documents which emerge from this process translate the definition of municipal purpose into specific revenue and spending proposals. Steiner and Miner define these documents as "formal statements of policies, plans and goals that are designed to ensure that actions are taken within specified bounds laid down by top management and are the basis upon which performance can be measured."[13] In effect, the document is a list of the kind and amount of expenditures that staff may make during the budget period, as well as the revenues that it may raise. Information which may accompany these estimates for the budget period include: the original and revised estimates for the current year; actual and budgeted figures for one or more immediately preceding years; and analytical information.

Staff responsibility for preparing budget estimates, and its influence on the determination of municipal purpose, are significant factors in the preparation phase of the budget process. To a considerable extent, the results of the staff contribution extend beyond the preparation phase because it sets the framework and atmosphere of the budget adoption debate.

BUDGET ADOPTION

Decisions of purpose, priority and policy taken by council during the budget preparation process are done so "in principle". The details of spending and revenue plans for implementing these decisions are developed by staff during the preparation phase and brought together in the budget document.

The budget document presented to council is a compilation of the financial implications of all decisions taken by council to maintain or alter municipal purpose. Presentation of this information in one document is an administratively efficient method of obtaining legislative authorization to raise and spend taxes. Even more important, compilation provides council with the total impact of its incremental decisions throughout the budget preparation phase. At the adoption phase, the perspectives of council and staff on the financial affairs of the municipality are extended beyond what is available at the time decisions on individual issues are made. Where council had previously provided a spending guideline or constraint to the budget preparation phase, the composite budget also indicates the extent to which that guideline was maintained. Furthermore, adoption of the budget establishes the basis upon which staff may be held accountable for their subsequent execution of the authorized activities.

Staff's contribution to the adoption phase is essentially that of providing information and analysis with particular reference to the financial implications of council's implicit and explicit decisions of municipal purpose. Council's contribution focuses on how this information complies with its perception of the electorate's needs and willingness to pay for services. If council and staff have resolved the policy issues prior to the adoption phase, legislative consideration of revenue and spending estimates proceeds with few surprises for anyone. If these issues have not been resolved, they invariably surface during the adoption phase. For example:

- o Councillors may disagree with staff and among themselves regarding the usefulness of the data contained in the budget document for identifying organizational purposes, priorities and policies.
- o Councillors may be surprised by the financial implications of earlier decisions, or unable to identify these implications in the budget document.
- o Staff may not be able to identify --- from the budget documents --- the financial implications of earlier decisions made "in principle" to provide services.
- o Councillors may try to add services to, or delete services from, the budget.
- o Staff may be questioned at length regarding conference expenses, overtime, travel allowance and other relatively minor items.
- o Council may attempt to review and alter the spending priorities reflected in spending allocations.

It should be evident that material changes in the budget during the adoption debate are highly unlikely and, indeed, inappropriate, since it is difficult to make decisions to alter interrelated services, priorities and policies without the necessary information and analysis. Preferably, debate during the budget preparation phase would accommodate the consideration of these strategic issues. Furthermore, staff and citizen expectations will have been created as a result of council's original agreement in principle. It would generally be viewed as an expression of bad faith by council to nullify or significantly alter these earlier decisions during the budget debate.

Timing of the Budget Debate

In addition to its substance, the timing of the adoption debate clearly indicates the adequacy of budget preparation activities. In municipalities with a timely budget calendar, preliminary and final budgets will be presented for approval prior to the beginning of, or very early in, the fiscal period. When the budget debate occurs significantly after the start of the fiscal period, council and staff contributions to the adoption phase become somewhat academic and even dysfunctional. For example, snow removal activities are largely concentrated in the months of January, February and March. There is little merit in council even contemplating the spending

priority of these activities during a budget debate which does not take place until April or May of that budget period. By this time most of the budgeted -- but unappropriated -- money has already been spent. In addition, the timing of adoption has a major influence on council's ability to monitor staff's execution of budget appropriations. Staff's service-delivery activities for the budget period is obscured by late adoption of appropriations.

BUDGET EXECUTION

It is incumbent upon a council to ensure that the activities planned and authorized in the budget are carried out in the intended manner. Otherwise:

> It is as though we visited a race track, watched the horses parade back and forth of the stands, saw them line up in the starting gate, and then went home just as the bell sounded. The outcome of the race does not interest us. We do not see the budget cycle to its conclusion.[14]

The budget is the basis on which both political and staff accountability is potentially defined and assessed. Council's strategic responsibility to determine the extent to which municipal resources are efficiently and effectively deployed is a reasonable presumption of the electorate. This expectation is council's mandate to hold staff accountable for the delivery of services.

Value for Money

Containing expenditures to those authorized by legislation is the basic requirement of responsible budget execution activities. Ensuring that these expenditures are made on a value-for-money basis is similarly central to the execution phase. That is, in addition to the responsibility of spending money on behalf of constituents, there is the related responsibility to spend those funds prudently. For example, the provision of funds in the budget for the purpose of "industrial development" will result in funds being expended on wages, supplies, travel, etc., by industrial development staff. However, the simple act of spending an appropriated amount of money does not ensure the efficiency nor the effectiveness of the industrial development activities. Here "efficiency" is concerned with obtaining the maximum "industrial development" activity for the given funds (i.e. how well inputs are used to

achieve outputs). In contrast, "effectiveness" deals with the extent to which these industrial development activities achieve the intended effects in the community. A prerequisite to achieving effectiveness in spending is the identification of objectives such as increasing the industrial or commercial assessment base in accordance with some measurement criteria. The achievement of effective spending must outrank the issue of efficiency because "although there may be some merit in doing the right things poorly, there is none whatever in doing the wrong things well."[15]

If budget execution is to reflect a concern for efficiency and effectiveness (in addition to controlling the amounts expended), the budget will contain measurable service-delivery objectives as well as dollar amounts for various activities. The budget preparation phase coordinates, for example, plans for the replacement of sewers and watermains on Queen Street so that the necessary road work is performed only once during the budget period. The budget execution phase also requires staff to perform this road work in the most cost-effective manner possible.

Budget documents which report on the efficiency and effectiveness of service delivery enable council and staff to assess the value the municipality obtains for its money. Such a budget becomes more than a spending-control document, it also represents a productivity agreement between council and staff.

Monitoring

Staff's contribution to the execution phase of the budget process is its operating responsibility to deliver services on a day-to-day basis. Service delivery is guided by spending limits, productivity objectives and the municipality's service-level policies.

It is generally recognized that budget execution activities must allow for some staff discretion and flexibility in the delivery of services. For example, the municipality's policy may call for sending snow plows out only when there is at least a six-inch accumulation of snow. However, the geography of the municipality may be such that different areas experience different levels of snowfall during the same storm. Consequently, staff may

send out the plows when there are only three or four inches of snow in some areas but six in others.

It is the exercise of staff discretion, or the absence of initiative by staff under unanticipated circumstances, which often precipitates council's direct involvement in budget execution activities. Unusually severe or early winters and early spring weather frequently generate numerous citizen complaints which cause council to review service levels and staff productivity. This overt political involvement in the execution phase of the budget process is essential for ensuring political accountability to the electorate and staff accountability to council. One of the many possible results which may emerge from this involvement is the review and reassessment by council and staff of the purposes which the municipal organization serves. Such reviews often provide input for the preparation phase of the next budget period.

In addition to the largely ad hoc monitoring of staff activities during situations such as those just considered, staff are responsible for providing council with interim financial and other reports. These reports provide expenditure control and productivity information for council and staff assessments of the extent to which plans are being achieved during the year. In addition, they serve to establish the basis for assumptions necessary in preparing the budget for the next budget period. Together, the formal and ad hoc reporting on budget execution activities maintain the momentum of the budget cycle.

SUMMARY

In this chapter, the operating budget and budget process were identified as the primary management system by which the municipal organization defines and discharges its strategic responsibilities to the electorate. Additionally, councillors and appointed staff both make independent and interdependent contributions to the design and execution of the pattern of strategic and tactical decisions emerging from this system. Designing and managing the budget process to advance the best interests of the municipality presents a considerable challenge to management capabilities at all levels of local government.

NOTES TO CHAPTER

1. Aaron Wildavsky, The Politics of the Budgetary Process (Boston: Little, Brown and Company, 1963), p. 5.

2. Claude F. Bennett, Minister of Municipal Affairs and Housing, Speech given at the founding convention of a new Association of Municipalities in Ontario, August, 1981.

3. Roland Christensen, Kenneth Andrews, and Joseph Bower, Business Policy, 4 ed. (Homewood, Illinois; Irwin, 1978), p. 125.

4. V. N. MacDonald, and Jean Macleod, Corporate Management, Local Government Management Project, (Kingston: Queen's University, 1978), p. 11.

5. "Developing a Financial Management System", Association of Municipal Clerks and Treasurers of Ontario, 1980, p. 1.

6. Royal Commission on Financial Management and Accountability, Final Report (Ottawa: Minister of Supply and Services Canada, 1979).

7. "Financial Planning and Priority Setting", Association of Municipal Clerks and Treasurers of Ontario, 1980, p. 1.

8. Kell Antoft, and Jack Novack, A Guide to Local Government in Nova Scotia, (Halifax: The Institute of Public Affairs, Dalhousie University, 1977).

9. Christensen, Andrews, and Bower, Business Policy, p. 20.

10. "The Policy Making Process", Association of Municipal Clerks and Treasurers of Ontario, 1980, p. 2.

11. Michael White, "Budget Policy: Where Does It Begin and End", Governmental Finance (August 1978), p. 5.

12. Many very thorough technical manuals are available which explore these activities in considerable detail. For example, see Lennox L. Moak and Kathryn W. Killian, A Manual of Techniques For The Preparation, Consideration, Adoption and Administration of Operating Budgets (Chicago: Municipal Finance Officers Association of the United States and Canada, 1973).

13. George Steiner, and John Miner, Management Policy and Strategy (New York: Macmillan Publishing Co., 1976), p. 254.

14. L. Fisher, Presidential Spending Power (Princeton: University Press, 1975), p. 3-4.

15. "Comprehensive Auditing - An Overview", (Ottawa: Canadian Comprehensive Auditing Foundation, 1980), p. 5.

TRADITIONAL BUDGETING

INTRODUCTION

Budget activities have been the enduring focus of attention to improve the municipal organization's ability to make effective, strategic decisions. In large part, the incentive for these efforts has derived from a widespread dissatisfaction by councils and staff with their prevailing system of budget activities. This chapter reviews those principal features of a traditional budgeting system which have produced user dissatisfaction and inspired initiatives for change in municipal budgeting. Awareness of these features provides a perspective with which to assess the potential of specific innovations to enhance strategic decision-making in local government.

TRADITIONAL BUDGET SYSTEMS

Most municipalities use a budget system known as the "line-item" system. There is no one, unique line-item budget process. The details of each application of the line-item approach vary from jurisdiction to jurisdiction depending on the efforts by staffs and councils, over the years, to design their budget process for their own specific needs. Any budget process, including those incorporating some of the recent developments, must necessarily be tailored to fit the unique situation of the particular municipality.

The strengths of a line-item budgeting system are its direct correlation with the accounting system and its focus on the control of expenditures. The system is designed to ensure: "the control of functional expenditures by kinds and quantities; raising revenue to finance expenditures; setting the tax rate; safeguarding funds for designated uses; and, the protection of fiscal resources."[1] These management objectives are entirely valid, and no innovative budgeting procedures attempt to remove these capabilities from traditional budgeting systems; instead they propose to build on these strengths.

Additional reasons for the prevalence of the line-item approach to budgeting have been identified:

> "it is straightforward requiring little in-depth analysis of services and none at all of individual objectives; it is fairly easy to prepare, agree upon and administer; and it is easily understood and familiar to elected officials and staff. A further reason is that it tends to produce a low degree of conflict within the organization. In some cases this last quality of the line-item format may be a more sought after result than good decision-making."[2]

While these features of line-item budgeting may have merit, other aspects restrict their ability to accommodate strategic decision-making. Particularly limiting are the presumption of maintaining the status quo of municipal purposes, priority and policy, and, the presumption of efficiency and effectiveness in the existing delivery of services. In the remainder of this chapter, these limitations are outlined in terms of their impact on the various phases of the traditional budget process.

PRESUMING THE STATUS QUO

A dominant feature of line-item budgeting is the implicit presumption by participants in the budget process that the municipality's strategy for furthering the electorate's best interests is largely unchanging. As a result, the purpose, priorities and policies of the municipality in previous years are routinely continued in the current budget. Changes in the definition of this stragetic responsibility do occur in budget allocations but only as the result of sporadic pressures from council, staff or the electorate.

The presumption of continuance for the vast majority of organizational endeavours is often the only strategic decision made in the line-item process. Instead of a timely review of changes in municipal purposes consistent with the changing needs of the community, "...in most municipalities, the way in which a budget has been traditionally prepared and the kinds of information provided during that process, far from facilitating the establishment of priorities, served to perpetuate existing spending patterns."[3] Those changes which do take place are the result of isolated reviews of existing or new activities. The nature of this change process is such that decision-makers

frequently do not have a fully informed perspective of the financial implications of ad hoc changes for the entire range of municipal responsibilities. Consequently, the need and the potential for redistributing resources among municipal purposes is not apparent at the time of decision. Services are incorporated into the current budget and become precedents for their continuation in all future budgets. Since there will be no compelling pressures from the electorate and others to reduce or eliminate services these precedents are reinforced. This incremental accumulation and expansion of services makes it difficult "for appointed and elected officials alike to comprehend what actual program levels are...(this is) a major stumbling block to effective political decision-making."[4]

Budget Preparation

The impact of the status quo presumption is most evident in the budget preparation phase of the budget process. In the absence of direction to review or alter municipal purposes, priorities or policies of previous years, staff preparing the line-item budget understandably assume that "silence is consent" and estimate expenditures and revenues on the basis of carrying out the current year's activities in next year's dollars. The term 'line-item' has arisen, in part, from the manner in which these estimates are prepared.

Budget Estimates

A typical line-item estimate is simply an extrapolation of present costs in terms of next year's dollars.

> There is a temptation, however, in drawing up an estimate, to take last year's expenditure for granted and such expenditure may not be challenged provided there is very little variation from year to year. In times of economic growth there may be little pressure to shift resources from low to high priority areas so that there is a danger of an insidious creeping of expenditure over the years.[5]

Municipal purpose and policies are not an issue in extrapolative activities; only the size of the increment to individual spending "objects" is of concern. Such items include salaries and wages, materials, equipment, rent, financial expenses, user charges, transfer payments and other goods and services.

The object-by-object extrapolation of costs is generally achieved by adding percentage increments to actual spending in the year preceding the budget period. An increment is based on staff assumptions concerning increase in salaries and wages, utility rates, material costs, etc. These assumptions, although reflected in the estimates, are not normally explicitly identified in traditional budget documents.

Spending Guidelines

Staff will normally not have complete discretion in determining increments to objects of expenditure. Council, on the advice of the municipality's chief financial officer, will frequently indicate a maximum, overall increase in spending for the budget period. This guideline is typically expressed as an allowable percentage increase (over the preceding year) in total dollars to be appropriated for the budget period. Consequently a 'global increment' in budget estimates may be added to last year's actual costs. Budgeting in this incremental manner makes "... it difficult to achieve a minimal increase in the budget even assuming static year-over-year service demand trends."[6]

The procedures used to arrive at an 'appropriate' global increase are not well documented in the literature. In practice the guideline is generally perceived as indicating the <u>average</u> increase allowable for the total of all expenditures. Thus, any one spending object or service may receive more or less than the guideline amount as long as the net spending increase does not cause the global increment to be exceeded. As a result, and in the absence of direction from council, staff may allocate disproportionate spending increments to maintain specific services and service levels.

The cumulative effect over a number of budget periods of disproportionate allocations to various services may be to set a pattern of spending decisions inconsistent with the historical or implicitly intended priorities for these services. To the extent that significant shifts in spending patterns are not identified for council, elected members may be unaware of the changes taking place in the priority of a municipal service. Consequently, council may fail to fulfill its responsibility to review and alter priorities in a manner consistent with the electorate's best interests.

Where the costs of specific services or service level have increased significantly in relation to other existing services, council's responsibility is either to explicitly alter priorities and funding or to reduce service levels. Without such action, council has little hope of holding spending increases to a minimum.

PRESUMING PRODUCTIVITY

A second dominant feature of line-item budgeting is the implicit presumption by participants in the budget process that the activities authorized in the previous year's budget were carried out in the most efficient and effective manner possible. Inherent in this presumption is the expectation that staff are continuously adjusting plans and procedures for the delivery of ongoing services to obtain maximum value for municipal expenditures. In these circumstances, historical and planned productivity need not be explicitly identified for council or staff. "In short, goals and objectives (for services) are completely foreign to this process."[7] Instead, only the spending limits on operating managers are identified. Consequently, the line-item budget is a vehicle for controlling spending behaviour, but not for measuring productivity. However, productivity is an established and legitimate basis for managerial accountability.

Accountability

In a line-item budget, "good" execution of budget responsibilities by staff is defined largely in terms of staff's ability to deliver services without overspending budget allocations for labour, supplies, etc. There is no accountability in terms of the "value" that the municipality obtains for its money.

Staying within budget does not necessarily mean that planned services were actually delivered; it indicates only that the allocated financial resources were expended. If, for example, $100,000 had been budgeted for sidewalk replacement and maintenance, the relevant manager is required only to spend $100,000 on sidewalk-related work. No accounting is formally made to council of, for example, the number of metres of sidewalks which were

actually replaced or repaired or the type of material used (concrete/asphalt). In fact, the specific work progam involving sidewalks is often specified only after the budget appropriation has been made by council. Consequently, there is no documented basis for accountability of staff to council in terms of the quantity or quality of service that has been delivered.

It should be noted that staff has a number of alternatives for keeping within their expenditure limits, for example, by altering the conditions of tender or by changing the nature and extent of their own activities subsequent to budget approval. Unless council specifies expected results before the budget is approved there is no way it can assess the efficiency or effectiveness of an expenditure.

BUDGET ADOPTION

The status quo and productivity presumptions have their greatest impact in the preparation and execution phases of the line-item budget process. During the budget adoption phase, however, when councillors raise questions related to these issues, these hitherto implicit presumptions are frequently exposed. Such questions regularly arise when council receives the budget documents detailing estimates in terms of a broad range of expenditure objects or programs.

Budget Data

The detail of the dollar allocations contained in line-item budget documents is impressive. Council is confronted with literally thousands of numbers for various objects of expenditure, although little if any analysis of these data is provided. Presenting council with data in this format is analogous to throwing an ocean at a thirsty man; drowning him is not the same as satisfying his thirst. Budget data of this nature have been characterized as no more than a confusing mass of numbers for councillors not trained or experienced in discerning strategic issues from such numerical data.[8] Consequently, line-item budget documents are often "...little more than a reproduction of the organization's accounting system."[9]

The status quo presumption in effect during the preparation phase and the influence of the productivity presumption during the execution phase do not require that planned expenditures be related to municipal purpose or productivity. Consequently, this information and data are not evident in line-item budget documents. Furthermore, staff cannot answer councillors' questions about municipal purpose and productivity in any comprehensive manner from these budget documents during the adoption phase.

Budget Debate

During the ensuing debate, council will proceed to a line-by-line, object-by-object and page-by-page questioning of the estimates contained in the budget. The inadequacy of the data often results in debates where councillors attempt to make major or minor changes in budget allocations. Such attempts may be naive in the face of the pressures to meet tax installment deadlines and the need for staff reports on the implications of possible changes. Significant change in these areas can only be contemplated with any reasonable chance of success when the budget is being prepared, and budget debates rarely lead to any significant changes in revenue or spending plans.

SUMMARY

In this chapter the status quo and productivity presumptions of line-item budgeting activities were identified. Together they were characterized as limiting the potential for designing and implementing a fully responsible set of strategic resource-allocation decisions.

Adding to council's difficulty in becoming aware of the purposes, priorities, policies and productivity of expenditures is the mass of essentially accounting and control information contained in line-item budget documents. Accountability data are typically foreign to this information. The result of a budget process dominated by these line-item presumptions and behaviors is a pattern of spending decisions for a budget period which has largely been determined by previous councils and staffs.

NOTES TO CHAPTER 2

1. William McCann, "An Examination of Innovations in Modern Budgeting", Optimum, Vol. 11, No. 2 (1980), p. 27.

2. Ibid.

3. C. R. Tindal, and S. N. Tindal, Local Government in Canada (Toronto: McGraw-Hill Ryerson, 1979), p. 108.

4. David Jones, "Block Budgeting", Civic Public Works (October 1978), p. 24.

5. Dean Vanderbilt, "Budgeting in Local Government", Public Administration Review (September/October 1977), p. 539.

6. Municipal Budgeting in Transition, The Board of Trade of Metropolitan Toronto (June, 1980), p. 5.

7. McCann, "Innovations in Modern Budgeting," p. 27.

8. William Sisneros, "Keep It Simple", Public Management (April 1980), p. 8.

9. McCann, "Innovations in Modern Budgeting", p. 27.

INNOVATIONS IN MUNICIPAL BUDGETING

INTRODUCTION

Awareness of the limitations of traditional budgeting systems has inspired budget reform. The central element of such reforms is the alteration of the information base available to decision-makers. Instead of, or in addition to, the object of expenditure data generated by line-item budgeting, innovative budget information deals explicitly with the strategic issues of municipal purposes, priorities, policies and productivity. The availability of information bearing on these issues compels decision-makers to extend their management perspective beyond the expenditure-control focus dictated by line-item data to the strategic issues confronting the municipality.

Innovative budgeting systems which have emerged in the municipal sector are outlined in this chapter. These improvements to decision-making are characterized as resulting from the addition to a traditional budget system of: Program, Zero-Base, Performance and Planning features.

SCOPE OF BUDGET REFORM

Binford and others have recognized that "Governmental budgeting...is an art not a science.... It is doubtful that the best approach will ever be identified."[1] Since perfection is elusive and undoubtedly costly, sensible approximation must guide budget reform. Correspondingly, reform of a line-item process may begin by: accelerating the budget calendar so that the preparation and adoption phases are completed prior to the start of the budget period; increasing council's participation during the budget preparation phase; reporting currently available productivity data to council; and introducing budget reforms on a phased, department by department basis. Where more ambitious reforms are desired changes may involve a combination of several features. For example, a municipality may add program features to its budget process, but before performance features can be added to a budget process, program features would be expected to be in place or introduced concurrently.

The particular features introduced into a budget process depend largely upon the circumstances and individuals involved. Furthermore, the method of introduction and the operational use of particular features must be tailored to the specific characteristics of the budget process and management information systems already in place. For example, two budget processes incorporating program features in two municipalities will normally exhibit considerable differences in at least their program and activity structures.

The addition of new features to a budget process is not a matter to be undertaken lightly. It is beyond the scope of this publication to consider at length the mechanisms associated with the process of change in municipal organizations. An extensive analysis has been made of the change process in local government by the Ontario Local Government Management Project and the reader is encouraged to consult these publications.[2]

In the following sections of this chapter consideration is given to the major characteristics and strategic contributions which innovative budgeting features have made to budget processes. Program features will be seen to focus primarily on the purpose of work; zero-base features, on the priority of work; performance features, on the productivity of work; and, planning features, on the analysis of work. Extracts from actual budgets containing these innovative features are provided with explanatory comments in the Appendices. For comparison purposes, extracts from a line-item budget are also included.

PROGRAM FEATURES

The strategic contribution of program features to a budget process arises from their ability to shift decision-makers' attention away from the details of spending objects to the purposes of spending. Expenditures on wages, equipment, rentals, utilities and supplies are classified according to the specific service activities which the organization provides to the community.

Programs more frequently offered by local governments include protection to persons and property, public works, social and family services,

recreation and community services, community planning and development and general government. Here a "program" is defined as:

> a set of activities which relate to one another, and, together define a municipal function or purpose.... For example, a water program might include the following activities: maintenance of the pipe system, planning of its extension and replacement, contracting and supervision, new and maintenance construction, pumping, filtering, pressure control, the provision of reservoirs, etc.[3]

Defining objects of expenditures in these terms in the budget documents enables decision-makers to explicitly identify the purposes which the organization serves in the community. Once programs of activity have been identified in a comprehensive manner, council can begin to reflect and decide upon the appropriateness of the range of purposes being provided and the funding priorities allocated to each.

Program Structure

A program of activities designed to provide a particular effect in the municipality -- for example, protection of persons and property -- will normally be made up of a number of subprograms. These might be as diverse as police protection, fire protection, protective inspections, street lighting, and canine control. Each of these subprograms will, in turn, be comprised of activities serving an increasingly specific municipal purpose. For example, a protective inspections subprogram may involve the activities of building and plumbing inspections, utilities and safety inspections, sign inspections, property standards inspections and licensing activities. Depending upon the size of the municipality, these inspection activities may be further refined to correspond to even more specific service activities.

Where a program structure is developed to include all municipal services it becomes evident that the production of budget data is considerably different from that in a line-item approach. Object-of-expenditure data are still required to ensure managerial control but now data are also identified in terms of the municipal purposes which they serve.

Program Objectives

Program descriptions and service objectives are integral elements in the definition of a program structure. For example, a program to provide and manage systems of waste control in a municipality might involve the subprogram of maintaining a sanitary sewage and storm drainage system. This description of purpose would generally be augmented by the identification of, for example, ongoing and one-time objectives for the subprogram.

"ONGOING OBJECTIVES

a To undertake all normal sewer maintenance programs related to:

   i sewer cleaning with hydrojets (all sanitary and combined sewers once every 3 years);

   ii pumping stations and alarm systems (all stations inspected 3 times per week);

   iii keeping in good repair all appurtenances and mains as per yearly inspections by the Roads Maintenance Division.

b To develop annually a sewer maintenance performance program based upon work required under the approved quality standards within the budget allocation within 20 days of demand.

ONE-TIME OBJECTIVES

a To investigate and implement, where possible, further reductions in the wage-earning crews through reducing the number of men from 3 to 2 on the three maintenance trucks and on the two hydrojets, and reduce the number of men on the two supply trucks from 2 men to 1 man by __(date)__.

b To investigate the possibility of further savings through abandonment of the rodding service presently provided by the city with respect to private building connections (subject to approval of revision to the sewer by-law) by __(date__.

c To prepare necessary revision to sewer by-law and implement new policy by __(date)__.

d To develop and implement a five year program of cleaning all sewers 18 inches in diameter and less.

e To finalize study presently in progress of a special attention and action system by ___(date)___.

f To review and revise quality standards for sewer maintenance annually."[4]

This explicit identification and description of municipal purpose and objectives provides municipal managers with a more fully informed perspective on appropriations than object of expenditure data.

Organizational Structure

A highly developed and extensive program structure for municipal activities reduces the emphasis given to the departmental form of organization. In effect, the organization becomes a means to an end rather than an end in itself. For example, a recreation program involving arenas might require that the staff bring together data which previously may have been contained in the budgets of the engineering, recreation, and supplies and services departments. A considerably higher degree of coordination and consultation is required to identify the total cost of programs involving several departments or agencies. Without a program structure the cost of a specific municipal purpose could not be readily identified. Not all programs cross departmental lines of responsibility; engineering departments, for example, are solely responsible for a broad range of programs and activities. Nevertheless, introduction of a program structure may give rise to some restructuring of the organization chart to reduce functional departments' inabilities to manage interdepartmental programs.

Program Funding

Program costs are normally drawn from existing files of payroll, equipment, materials and other accounting system classifications. These data are given an additional designation identifying the program, subprogram and activity to which they are chargeable. In the earlier example of an arena program, part of the engineering department's labour, wages and material costs would be allocated to this program. If some costs (e.g., administration) are applicable to more than one program, appropriate allocations are required.

Where a program structure is in place, the preparation phase of the budget process may involve not only the recommendation of an overall increase in spending but also specific allocations to groups of programs, individual programs, or activities. An alteration in allocations to programs or activities represents a change in priorities and forces council to recognize the need for prioritizing municipal purposes and make the related appropriations.

In summary, program budgeting features enable and require municipal purposes to become the major focus of organizational effort. As a consequence, program data and information give council the opportunity to make budget decisions on the basis of municipal purposes rather than on the "minutiae of data."[5]

ZERO-BASE FEATURES

The strategic contribution of zero-base features to a budget process is the demand which they place on decision-makers to assign explicit priorities to municipal programs and activities. Having a program structure that defines the scope of municipal purposes, each manager must analyse and rank discretionary programs under his jurisdiction. In this situation, activities are reviewed to determine if they are still needed in the community at the prevailing service level. Periodic reassessment and ranking of all municipal purposes, and their repeated re-ranking at successively higher levels of the organization, focus decision-makers' attention on the relative priority of spending. Where a revenue constraint exists, assigning priorities defines those municipal purposes which will, or will not, merit continued funding.

The explicit recognition of competition for funding among municipal purposes -- brought about by prioritization -- is a distinctive shift from the line-item determination of purposes by precedent and extrapolation. With zero-base features "The budget preparation process no longer regards the previous level of servicing as fixed or unavoidable. In effect, zero-base budgeting puts previously authorized expenditures on an equal footing with requests for additional funding."[6] Service programs and activities theoretically have no history -- only a future. For activities and service level

ranked so low in priority that they fall below the "Funding Line", their appropriation for next year will be "zero" rather than an extrapolation of last year's spending level.

A rigid application of zero-base features would require all managers to justify and rank all of their activities for each budget period. In effect, such a zero-base review would put in place annual 'sunset' provisions for all activities. Clearly such a review is not practicable for such essential services as water works, sewage, or garbage collection. Zero-base features do not mean "...throwing everything out and starting all over again; generally all programs will most likely continue at reduced, current or increased levels."[7] Instead, "Through an extensive system of prioritization, obsolete programs which have continued through inertia or by design, or programs which should no longer be continued at the same level are highlighted and either cut from the budget or cut back as required."[8]

Priority Structure

Zero-base features in a budget process require that managers identify "decision units" and the objectives of their activity programs, specify various levels of service in "decision packages", and rank these packages in order of priority. Strick has suggested that decision units may correspond with the organizational structure of a department and that decision packages correspond to alternate service levels of a program or activity.[9] Administratively, it is desirable to have only one manager responsible for a decision unit, and for every unit to work largely independent of each other.

While any number of decision packages (service levels) may be considered for funding in a budget period, managers are typically asked to consider only three or four alternatives. These may correspond to: (1) a <u>minimum level</u> of services below which no constructive contribution can be made towards fulfilling program objectives; (2) a <u>reduced level</u> of services set at perhaps 80% of the current level; (3) the <u>current level</u> of services recognizing changes in price levels and population; and, (4) an <u>increased level</u> of service. For example, a garbage collection program might be described as four decision packages:

1) minimum package - once per week, curbside pick up;
2) reduced package - once per week, back-door pick up;
3) current package - once per week, back-door pick up, take anything; and
4) improved package - once per week, back-door pick up, take anything; and twice per week collections in July and August.

Those familiar with garbage collection services will recognize the potential for an even more varied set of incremental packages.

Accompanying the identification of each decision package is information regarding the incremental costs and expected consequences of each increment of service. Policy guidelines provided by council might, in addition, preclude the decision-unit manager from costing overly ambitious packages or packages providing an unacceptable level of service.

Once packages have been prepared, the decision-unit manager must rank them according to his perception of their order of priority. The manager then forwards these rankings to his superior who reviews the rankings of all units reporting to him and makes inter-unit rankings. For example, the manager to whom both the garbage-collection program manager and the landfill site program manager report might produce a composite list of priorities for his area of responsibility, with once-per-week, curbside pick up (ranked first by the collection-program manager) now ranked second after keeping the landfill site open and operating. The incremental service package of backdoor pick up might rank seventh, and the take anything increment, ninth. As more and more services are ranked together by higher-level program managers or committees, these rankings will change further. A predetermined cut-off level of funding is applied either at the departmental level or to a municipal-wide list of priorities to determine those decision packages which will, or will not, become part of the municipality's funded purposes. Since the most essential decision packages will move towards the top of the priority list and the least towards the bottom, most analysis will be directed towards programs at the margin of available resources as identified by the "Funding Line."[10] Once the final list has been identified, the financial data for each decision package can be put into a format which coincides with the municipality's financial accounting and control system.

Zero-Base Inputs

In the zero-base budget process the council has the option to authorize an overall increase in the budget or disproportionate increments to selected decision units. If the latter approach is taken, consultation with senior staff would establish broad areas of priority by function and program classifications. In contrast, the approval of a global increase leaves the determination of proper purpose and priority with appointed officials. It has been noted frequently in the literature that managers "... tend to exert upward pressure on expenditure levels. Without properly established objectives and priorities, they have little reason to do otherwise."[11]

The preparation of decision packages by staff requires policy guidance from council. For example, a particular program for garbage collection must be carried out in the context of well-defined program objectives which originate in council's conception of corporate purposes. If, for example, council simply does not believe that a 'Cadillac' garbage service is appropriate, then developing incremental packages that add expensive options to the current service level is a waste of time. It is incumbent upon council to identify and communicate, or for staff to seek out, these policy guidelines.

To the extent that the current-level decision packages or current program alternatives come to be taken for granted, then a large portion of expenditures may become susceptible to the extrapolation and incremental activities associated with line-item budgeting. Predisposition to these line-item features, even in a budget containing zero-base features, will be encouraged where essential services such as sewers and roadways are subjected to costly zero-base reviews. In these situations, periodic, rather than annual reviews may be more appropriate.

In summary, zero-base features in a budget process provide for a highly structured method of determing organizational purposes concurrently with their priorities. Depending upon the specific application of these features, council may take a more directive and visible role in the determination of proper organizational activities.

PERFORMANCE FEATURES

The strategic contribution of performance features to a budget process is the enlargement of the decision-maker's perspective to include the extent to which planned expenditures fulfill their intended purpose. It is not enough for council to determine explicitly the purposes and priorities of government spending. The presumption of the electorate is that a further responsibility exists to ensure that resources are prudently employed. This responsibility requires a shift in council's focus away from merely the number of dollars spent on objects of expenditure and programs towards the specific, measurable results of these expenditures. With this broader perspective, the strategic issue for council becomes the relationship between the output of benefits which are received, and the input of funds being appropriated. For example, a budget may contain an estimate of $176,000 for road resurfacing and repairs. Actual expenditure in the year may be $176,000. However, the money might have been intended to resurface 20 kilometres of road, whereas only 15 kilometres were resurfaced -- for any number of acceptable or unacceptable reasons. In a budget process without performance features this reduced value-for-money might go unnoticed by council, and possibly even by senior staff.

Adding performance features to a budget process relates the preparation phase explicitly and directly to the execution phase. In doing so, the accountability of staff to council is extended beyond the concern to merely control the level of expenditure; it also extends to expected results. To provide for this added dimension of accountability, performance features must specify measurable service-delivery objectives.

Performance Measurement

Three types of productivity measures may be considered when budgeting for performance: throughput, efficiency and effectiveness measures.

Throughput Measures

MacDonald and Lawton identify throughput measures of activity as the elemental measures of performance. They include such quantities as gallons

of water processed, number of households served, number of patients treated, welfare cases processed, crimes solved. These volume-oriented output data indicate the amount of work that has been done and represent a shift in management focus away from the traditional internal orientation of inputs of men and materials.[12]

Efficiency Measures

Efficiency measures extend the decision-maker's perspective beyond that of simply knowing the amount of work that has been accomplished. These measures relate the volume of output to the quantity of input. Frequently, they are calculated as unit cost ratios. "An organization is said to have become more efficient if it costs less to produce each unit."[13]

There are many measures of efficiency which might be calculated for any particular program or activity. For residential garbage collection one might determine the total cost per ton, labour costs per ton, equipment and material costs per ton, tons collected per crew per collection-home, costs per stop and the number of people served per truck per week. Efficiency measures based on manhours rather than dollar amounts yield performance measures independent of the purchasing power of the dollar. In the foregoing examples, the availability of so many measures suggests that care must be exercised in deciding which inputs should be related to various output. These efficiency results are not produced without staff effort and resources.

Effectiveness Measures

Measuring performance solely in terms of throughput or efficiency measures is subject to the criticism that these data ignore the quality of the program or activity output. Effectiveness measures enable decision-makers to determine "the extent to which the purpose of an activity is being achieved."[14] They

> ....focus on how well a task is accomplished without particular regard for the cost of output.... They indicate whether municipal activities are meeting citizens' needs or are in the best public interest. They do this by measuring the effect of the activity rather than the activity itself.... Measuring tons of snow removed, or comparing and analysing the cost of picking up the snow will not determine whether or not the streets are clear.[15]

It is not much good having a fleet of snow plows being operated efficiently if the vehicles only concentrate their efforts on secondary roads leaving the main arterial roads snow-bound.

A considerable array of effectiveness measures may be generated for any particular activity. In the case of garbage collection, effectiveness measures might include the percentage of total garbage collected, percentage of routes completed on schedule, the number of citizen complaints, and the percentage of citizens satisfied. As in the case of throughput and efficiency measures, caution must be exercised in selecting those measures which will assist in the decision-making process.

Data Requirements

Taken together, throughput, efficiency and effectiveness measures describe the organization's productivity. Measuring productivity may involve a considerable amount of paper work for those employees subject to performance measurement since it is both desirable and equitable to evaluate the work of as many employees as possible. In addition to this continual generation of workload statistics, citizen surveys may also be necessary to measure effectiveness.

One must avoid overstating the quantity of <u>new</u> municipal data required by performance budgeting features. A considerable data base already exists in most municipalities which could be used to produce at least throughput and efficiency measures. For example, many municipalities already collect workload data such as number of cases investigated, number of gallons of water distributed, number of clients served, number of repairs made, etc. Cost data are also compiled, sometimes on a service or task basis, sometimes on a departmental basis. As well, a good deal of financial and non-financial information is prepared by municipalities to meet the reporting or grant-application requirements of senior levels of government.[16]

Using Performance Data

The use of performance data to monitor the execution of budget activities and define staff accountability requires a well-informed council and senior staff. A one-time assessment of performance is not necessarily an

indication of either satisfactory, unsatisfactory or other characterization of productivity. Furthermore,

> For most activities or programs no single performance indicator will be adequate to evaluate all work performed in that program or activity. More than one indicator or a set of inter-related indicators may be used in such cases. Although no limit is placed on the number of indicators, it is desirable not to use more than three or four as a larger number may tend to confuse rather than clarify the analysis of the work performed.[17]

Given the availability of performance data "... elected and appointed officials can investigate the causes for varying performance levels and can make decisions to ensure that superior performance is emulated, that satisfactory performance is maintained and that inferior performance is improved."[18] These assessments can be made from comparison of actual performance with: (1) performance standards; (2) past performance levels; (3) performance of other units in the organization; (4) performance in relation to that of other municipalities or contractors; and (5) performance in relation to targeted/planned levels.[19]

Extending the staff and council perspective to include performance in relation to time (both the past and the future) and to the performance of other units within the organization (and even in other municipalities) is necessary for the responsible use of productivity data. Even with this enriched perspective, measures of actual productivity can be altered by changes in service levels or by 'creative' manipulations such as soaking garbage with water before the garbage truck is driven on to the weigh scale at the land-fill site or taking normally disallowed items of refuse. Apparent efficiency improvements in collecting garbage might lead to increased inefficiency in other activities; for example, the land-fill site shredder might break down more frequently as a result of collecting disallowed household refuse.

In summary, performance features in a budget process provide a formal link between the budget preparation and execution phases. With these features, the focus of council and staff attention is broadened beyond the identification of resource inputs to include quantified measures of output.

PLANNING FEATURES

The planning activities of a traditional budget process may involve, for example, the year-to-year replication of the number of hours worked, the quantity of materials used, supervision levels, etc. Innovative planning features add to this process the analytical capability needed for "... assessing the community needs, setting objectives and choosing the means of attaining them from the available alternatives."[20] As we have seen, innovative planning features are present in budget processes which have been altered to accommodate program, zero-base, and/or performance features.

The additional planning features we will consider are extending the budgeting perspectives beyond a one-year time horizon; and advancing the organization's analytical capabilities to identify and choose from among alternate means of satisfying a particular community need.

Multi-Year Planning

Since the costs and benefits of many municipal services extend beyond the current budget period, it is often desirable that the time perspective of planning activities extend beyond the traditional one-year period. Framing of budget proposals in terms of multi-year programs directed towards the achievement of objectives requires the projection of expenditures over a number of years.

Multi-year planning requires both short and long-term objectives and guidelines regarding expected economic conditions and priorities. Operating managers must analyse the potential of alternate programs to accommodate these concerns. However, "it is unlikely that the guidelines and various departmental work programs will be initially compatible."[21] The early resolution of possible revenue and expenditure conflicts will, however, remove uncertainty from planning activities and minimize wasted effort which results from proceeding in an inappropriate direction. Moreover, with a multi-year perspective, decision-makers may avoid making commitments to start new programs requiring minimal initial funding, but very substantial funding over the longer term.

Cost-Benefit Analysis

Innovative planning features in a municipal budget process frequently focus on a decision-making criterion characterized as "cost-benefit analysis". This analysis begins with the definition of specific municipal purposes and objectives and proceeds to identify the costs and benefits associated with alternate methods of satisfying these purposes. Planning activities produce cost-benefit ratios (or benefit-cost ratios) which can be ranked to identify the optimum alternative for satisfying a particular organizational purpose.

To determine a cost-benefit ratio, each alternate service program is analysed to predict its impact (or benefit) on efficiency and effectiveness measures at various funding levels. The optimum program is identified in terms of maximum economic benefits or minimum costs. "A wide range of tools and techniques drawn from the field of economics, operations research, mathematics and computer science are employed in program analysis. These include statistical analysis, gaming, modelling, simulation, operations analysis and econometrics."[22] For example, in the analysis of the lease and purchase alternatives for acquiring municipal office space, discounted cash flow analysis would be appropriate. As well, significant non-quantifiable benefits of convenience, prestige, profile, etc., would be recognized in the analysis. Additional analysis might test the sensitivity of funding assumptions to ensure that the apparent desirability of one alternative is not the result of fortuitous assumptions about a key factor in the analysis. When forced to select from among competing municipal purposes, the cost-benefit ratio of the optimum alternative for each purpose can be used to indicate the most beneficial purpose to which limited funds can be allocated.

In practice, establishing the cost-benefit relationship is often complicated by the fact that all benefits and costs of a program are not readily apparent, susceptible to quantification, or attributable to only one municipal purpose. For example, a summer employment program for youths might serve to develop good work habits, carry out certain work and provide funds for continued schooling. Alternatively, the dollar benefits of a garbage collection service might prove difficult to determine if one attempted to identify benefits in terms of the public health savings arising from the reduction of the rodent population, and improvements in the aesthetic appearance of neighbourhoods.

Less quantitative applications of cost-benefit analysis involve the identification of alternate programs that appear to have at least some potential to satisfy progam objectives. For example, in smaller municipalities subways are not even feasible while in larger urban centres monorails may warrant review and analysis.

There are well-documented constraints on the range of program alternatives which may be considered for analysis, "....familiarity and confidence in the status quo, vested interests, existing organization structures and lack of imagination to mention a few."[23] However, it is in these situations where

> ....the program analyst provides creative leadership and stimulation to operating management in its own thinking.... The analyst has the task of ensuring that proper consideration is given to all possible alternatives including those which go well beyond current practices.... (Council) requires assurance that time and energy are not being wasted on impractical matters and yet it has a real interest in ensuring that all reasonable courses of action are studied. Only through constant communication and inter-relationships can a sensible, balanced approach be maintained.[24]

In summary, the addition of innovative planning features to a budget process expands the potential of the organization to identify and deliver needed services in the most productive manner. Cost-benefit analysis and a multi-year planning perspective provide a more fully-informed basis for making optimal resource allocations to proper organizational purposes.

SUMMARY

This introduction to program, zero-base, performance and planning features has identified their capabilities to improve the pattern of decisions designed to further the best interests of the electorate. Any or all of these features may be contained in budget processes to varying degrees; even essentially line-item processes often include some program features. When significant initiatives are taken for budget reform, innovative features may be added to the budget process on a department by department basis, program-by-program basis, or phased in over a number of budget periods.

The requirement in common for all the indicated innovative budgeting features is the recognition by management of the need to identify spending purposes, priorities, and policies on a program basis. In relation to the line-item approach to budgeting, recent innovations

> do not assume a special relationship with the past but, in fact, reflect a movement away from a consideration of past expenditures. They require that the activities to be accomplished need to be established first and then the budget is developed to supply the necessary resources... Certainly the primary motivation behind the budgetary reform movement is to speed up the budget process and to make the procedure, and the information that flows from it, more useful to line managers, finance department staff and elected representatives.[25]

In the Appendices, extracts from actual budget documents are presented to illustrate the information and data available to decision-makers from municipal budgets containing line-item, program, zero-base, performance and planning features. The budget documents selected were chosen to highlight a particular budgeting feature, but it should be recognized that many line-item budgets contain program features, many zero-base processes contain performance features, and so on.

NOTES TO CHAPTER 3

1. Charles Binford, "The Best Approach to Governmental Budgeting: The Large Government Unit", Governmental Finance (February 1975), p. 20.

2. Guidelines for Organizational Change, Local Government Management Project (Kingston: Queen's University, April 1977).

3. Performance Budgeting, The Corporation of the District of West Vancouver (November 1977), Appendix A.

4. Guidelines for Organizational Change, p. 77-78.

5. Ralph Snyder, "Reappraising Program Budgeting", Municipal Budgeting Policy (McGraw-Hill, 1976), p. 6.

6. Zero-Base Budgeting, Ontario Ministry of Intergovernmental Affairs (October 1979), p. 4.

7. John C. Strick, "Zero-Base Budgeting: An Innovation or a Rediscovery of Old Concepts?" Canadian Tax Journal (January-February 1980), p. 47.

8. V. N. MacDonald, and P. J. Lawton, Improving Management Performance, Local Government Management Project (Kingston: Queen's University, November 1977), p. 37.

9. Strick, Zero-Base Budgeting, p. 46.

10. Zero-Base Budgeting, p. 25.

11. Strick, Zero-Base Budgeting, p. 49.

12. MacDonald, and Lawton, Improving Management Performance, p. 21.

13. Performance Measurement for Municipalities, Ontario Ministry of Municipal Affairs and Housing (September 1981), p. 5.

14. MacDonald, and Lawton, Improving Management Performance, p. 24.

15. Ibid.

16. Performance Measurement for Municipalities, p. 15.

17. Effective Management Through PPBS, Province of Ontario, Treasury Board (October 1969).

18. Performance Measurement for Municipalities, p. 19.

19. Ibid, p. 19-20.

20. MacDonald, and Lawton, Improving Management Performance, p. 33.

21. Effective Management Through PPBS, p. 42.

22. MacDonald, and Lawton, Improving Management Performance, p. 35.

23. Effective Management Through PPBS, p. 34.

24. Ibid, p. 35.

25. MacDonald, and Lawton, Improving Management Performance, p. 38.

CONDITIONS FOR BUDGET REFORM

INTRODUCTION

The innovations in budgeting processes discussed in the preceding chapter offer the potential for improved decisions at the policy-making level. With program, zero-base, performance and/or planning features, decision-makers at all levels of the organization, and during all phases of the budget process, are provided with a more explicit awareness of the reasons for, and results of, their resource allocation decisions.

The extracts from actual budget documents in the Appendices attest to the desire of many municipalities to advance their budget process beyond the line-item stage. The fact that substantial improvements have been made in municipal budgeting processes indicates the ability of local governments to accommodate such changes. Not all attempts at budget reform are as successful or as enduring as they might be. This situation is to be expected occasionally and reflects on the nature of the changes which are initiated, the manner in which budget innovations are implemented, and the motivation and capabilities of the participants in the budget process.

Awareness of the potential of budgeting innovations has motivated many councils and staffs to initiate budget reform. Other conditions exist which may add to the impetus for budget reform in local government. In this chapter, these conditions are identified as the financial and managerial pressures operating on the budget process to make it more useful. The development of a strategic perspective for decision-making -- by both elected members and appointed officials -- is identified as a further condition for improving decisions at the policy-making level.

PRESSURE FOR REFORM

Major alterations in organizational processes take place only if the impetus for change is sufficiently compelling and enduring to overcome the inertia which exists in virtually all organizations. Even when there is a

general recognition that change is needed, an initially receptive environment may rapidly become hostile when all of the implications of change become evident.

Two major sources of pressure exist in local government which, if sufficiently strong, may motivate the organization to at least reconsider the appropriateness of their budget process. These pressures derive from the developing fiscal dilemma confronting municipalities, and the dissatisfaction of some municipal councils and staffs with the traditional line-item budget process.

The Financial Dilemma

Increasingly, local governments are finding themselves in a financial dilemma, with upward pressures on their expenditures and downward pressures on their revenues. As observed by the Board of Trade of Metropolitan Toronto:

> Municipal expenditures have been increasing and will continue to do so for several reasons. At the current rate of inflation, it costs approximately 10 per cent more each year to provide the same level of service. Municipal governments have little control over this increase in cost. Expectations of the public with respect to levels of service exert pressure on a municipality to maintain or increase levels of service. Labour costs are another major factor. Public sector contract settlements have often included larger percentage salary increases and fringe benefits than are common in the private sector. In addition, some union constracts preclude any reduction in the size of the public sector labour force. Certain socio-economic and fiscal conditions impose increased costs on certain municipalities (e.g. the costs associated with sizable immigration in Toronto, the costs to Metro Toronto of coping with urban sprawl). Furthermore, municipal governments have virtually no control over 50 per cent of the total tax bill which goes towards the cost of education. Taking these factors and others into consideration, municipalities obviously face difficulties containing expenditure levels.
>
> Municipal revenues come from three principal sources: the property tax, provincial grants and subsidies, and user charges. Current pressures for restraint in public spending make it increasingly difficult to expand existing sources of revenue. The substantial reduction in new assessment due to reduced development and the understandable reluctance of politicians to impose high tax increases each year limit a municipality's opportunity to increase revenue from property taxes. The

Province has gradually reduced the rate of increase in grants and subsidies provided each year. New sources of revenue have not been found.[1]

The Managerial Alternative

The fiscal dilemma represented by pressures to maintain, or even increase, services in conjunction with revenue constraints make decision-making more difficult. In prosperous circumstances councils have been able to avoid making difficult decisions on municipal purposes, priorities and policies by acceding to funding requests from the public and staff. The costs of these decisions have been passed along to the taxpayer through the tax rate applied to a growing assessment base.

In the face of taxpayers' resistance, council has become increasingly reluctant to pass along these costs. On the other hand, cutting back or discontinuing existing services has never been a politically acceptable alternative because of the general acceptance these services acquire among municipal staff and those in the community benefitting from them. Furthermore, most local governments do not have the necessary information to make reasoned reductions in municipal services or service levels.

The managerial alternative to passing along rapidly increasing costs or making across-the-board cuts in services and service levels, is the provision of services in a more cost-effective manner.[2] The budgeting innovations discussed earlier can provide decision-makers with the information necessary to achieve this objective. For example, performance features identify and relate the resource inputs and outputs from various programs. Alternatively, planning features identify the optimum decision alternative in, for example, long-term funding commitments. Although a necessary condition for more cost-effective decisions, innovative budgeting features are not a guarantee of improved decisions.

Management Dissatisfaction

Awareness of the fiscal dilemma without the perception of an acceptable solution to the situation represents a considerable frustration to councils and staffs. In addition, there are long-standing indications of

dissatisfaction among elected members and staff with the traditional line-item approach to decision-making. For example, four municipalities in British Columbia joined with the Federation of Canadian Municipalities to mount a study of budgeting techniques in seven Canadian and U.S. cities. This group was motivated by the view that "... it (the line-item budget) presented detail to council, not decision-making information and that management regarded the budget as an administrative chore, not a management tool."[3]

The approach taken by this group was

> ....not to study and recommend one budgeting approach, but to evaluate the individual components of existing systems and suggest a practical set of principles that could be adopted and modified to suit the circumstances of any medium-size Canadian city. These principles would probably be drawn from all the existing systems and might not be characteristic of any one of them.[4]

The study concluded by recommending a budget process containing a comprehensive array of program, zero-base, performance and planning features. They included:

- analysis and accounting by programs within departments;
- development of goals and objectives supported by performance measures;
- council involvement throughout the process;
- wide involvement of staff;
- analysis of alternative service levels below and above the current level;
- ranking of diverse programs and service levels into a schedule of priorities with consideration given to public input;
- choice of tax levels related directly to the decision on which programs and service levels to fund and which not to fund; and,
- evaluation of performance to continue throughout the budget year and at its end.[5]

Other municipalities have also experienced sufficient dissatisfaction with line-item budgeting to adopt some of the innovative features mentioned in the preceding chapter. These municipalities include:

Program features:

City of Chatham
Town of Halton Hills
City of London
City of Mississauga
City of Nepean
City of Oshawa
Town of Richmond Hill
City of Windsor

Zero-base features:

Borough of York
City of Cambridge
City of Guelph
City of Peterborough
City of Sudbury
City of Thunder Bay
Regional Municipality of Sudbury

Program and modified zero-base:

Borough of Scarborough
Municipality of Metropolitan Toronto
City of Pontiac, Michigan

Performance features:

Regional Municipality of Ottawa-Carleton
City of Thunder Bay
City of Mississauga
City of Lakewood, Colorado
City of Sunnyvale, California
City of Dallas, Texas
City of St. Petersburg, Florida
City of Toledo, Ohio

(Many of the municipalities that have implemented performance features also utilize program budgeting features. It should also be recognized that many other Ontario municipalities have introduced performance measurement elements in their public works operation through adoption of the Municipal Maintenance Management System (MMMS) developed in 1971 by the Ontario Ministry of Transportation and Communications for municipal road maintenance services).

Planning features:

Regional Municipality of Peel (in process of implementation)
City of Ottawa (2 year time-horizon)
City of Calgary, Alberta (5 year time-horizon)
City of Phoenix, Arizona (5 year time-horizon)
City of Boulder, Colorado (5 year time-horizon)

(Planning features are more prevalent among high growth municipalities concerned with the affordability of required expansion).

STRATEGIC PERSPECTIVE

The endurance of the line-item budgeting process -- unadorned by innovative budgeting features -- is quite remarkable. Even though there is considerable council and staff dissatisfaction with the process, only a modest adoption rate of innovative budgeting features has been observed.

Many explanations for the inertia of the line-item approach have been offered:

(1) The existing level of fiscal and managerial pressures are insufficient to inspire a broad cross-section of municipal managers and councillors to seek out, or initiate, budget reform alternatives.

(2) Innovative budgeting reforms are not viewed as providing the potential for sufficiently improved decision-making activities to warrant their costs.

(3) Innovative budgeting reforms may have been ineptly planned or incorporated in a municipality's information system. Lack of knowledge of the problems resulting from these budget innovation experiments may be deterring other municipalities from pursuing reform.

These reasons have no doubt discouraged various municipalities from considering budget reform. However, a more fundamental explanation for the widespread prevalence of the line-item approach may be the absence of a strategic perspective among decision-makers in local government. Simply stated, short-term operating concerns may distract councils and staffs from identifying and focussing on the organization's strategic responsibilities to the electorate. As a result, councils and staffs may not be aware of the importance of strategic decision-making data.

The lack of a strategic perspective in many local governments is evident from the fact that expenditures are often made without decision-makers considering, for example, information which relates expenditures to purpose or productivity. The fact that municipal staffs generally have not spontaneously produced these data, and that councils have not required staffs to do so, suggests that neither councils nor staffs have a comparable perception of the data needed for strategic decision-making.

The Political/Managerial Environment

The political/managerial environment in local government is often less than conducive to the development or exercise of a strategic perspective by elected members or staff. The Association of Municipal Clerks and Treasurers of Ontario has observed that, there are

> ....weaknesses inherent in the internal organization of the municipality. The effectiveness of council in identifying and articulating local needs is open to question. The lack of cohesiveness on council has been noted, as well as the lack of a focus on accountability and responsibility. Who is responsible for initiating policies to meet the needs of the municipality and who is responsible for scrutinizing these proposals and suggesting improvements or alternatives? Without any formal governing group or "official opposition", everyone on council is responsible for everything and no one is really responsible for anything. With the ward system for election to council, which is found in most large municipalities, attention tends to focus on narrow, ward

> concerns rather than the needs of the overall municipality. Because of the indirect election of the councils of regional and other upper-tier municipal governments, the same parochial outlook often prevails....[6]

In local government settings such as these, where it is difficult to develop or exercise a strategic perspective on decision-making, the prospects are not bright for introducing budgeting innovations which focus on increasing the strategic capabilities of the organization.

Despite an indifferent, or even hostile, environment for change, major changes have taken place in budgeting processes. However, an unfortunate but understandable temptation has been noted for organizations

> ....to seize upon an innovative approach and hope that with a wave of some magic theory, problems and inefficiencies would disappear. Decision-makers must realize that organizations vary as to their levels of ability to incorporate new ideas. Premature attempts at applying sophisticated techniques are unlikely to succeed. Not only is this failure bad in itself but it can cause cynicism throughout the organization. This would surely hinder the implementation of other productivity enhancement attempts in the future.[7]

Staff Initiatives

Senior municipal staff have a considerable responsibility to initiate the emergence of a strategic perspective within the organization. Staff are experts in management practices and represent the source of continuity within the municipal organization.

Dirksen and Schneibelhut have reported that councillors rely heavily on staff for the analysis and interpretation of financial data.[8] If staff continue to generate non-strategic budget information, with little or no analysis, then council understandably will focus its attention (and frustrations) on the only information available to it, namely, object-of-expenditure details of the line-item budget. Budget features identified earlier broaden the decision-making base and make possible the analysis of appropriations in the light of their strategic implications. Such analysis may include a wide range of techniques and measures involving, for example, ratios, trends, interdepartmental comparisons of spending levels, and changes in historical spending patterns.

Councillors' dependence upon, and frequent deference to, staff initiatives in the management areas are well documented. For example, during an early stage of the Ontario Local Government Management Project, support and approvals for the Project were sought at the municipality's adminstrative level rather than from council. Once support was obtained from the staff level,

> ....support from the elected representatives was sought through the approval process. While council approval for the project was obtained with little difficulty in all four cases, there was not a high level of understanding of the Project on the part of members of council, and it generally received approval as a result of the administration's support. This is not meant to be critical of members of council in the four Project Municipalities... The strategy followed in the Project was to obtain approval at the outset with a minimum level of involvement on the part of council members and develop understanding and commitment as the process developed.[9]

Furthermore,

> "The fact that senior administrators in the municipalities strongly supported the proposed project was significant ... their eagerness was a definite signal to council that the proposed project has potential."[10]

In view of the major influence which staff have in guiding council, staff awareness of the distinction between strategic data and line-item (control) data is imperative. Their awareness must also extend to those budgeting features which produce and use strategic data. However, it should be noted that staff initiatives in these areas may be thwarted if council becomes so embroiled in internal political and personality issues that it cannot agree on major issues. No revisions to the budget process are likely to succeed unless they have more than a bare majority on council behind them.

Council Initiatives

While senior municipal staff may have received professional training and experience which will facilitate the adoption of a strategic perspective, a similar expectation would be unwarranted for a large segment of municipal councillors.

Demonstrated strategic decision-making skills or qualifications are not required of candidates for elected municipal office. However, successful

candidates, are responsible and accountable for a broad range of strategic decisions. Councillors frequently have not had the advantage of extensive management experience or management training programs to develop strategic, decision-making skills and perspectives. Consequently, elected members may experience difficulty in performing their functions of determining municipal purposes, priorities and policies, and monitoring the efficiency and effectiveness of their related budget appropriations. On-the-job development of the management skills necessary to guide a municipal corporation spending millions of dollars annually may be a considerable burden to the taxpayer.

Many councillors only become aware of the scope and requirements of their position after being elected and experience difficulty in adopting the required perspective. Very few elected members, without a background in financial management, would be aware of the availability of budget features to enrich a line-item budget process. Consequently, there is little likelihood of initiatives for budget reform emerging from elected members, even though they may be the ones who experience the most intense frustrations with the line-item data base.

Management Development

In view of the diversity of backgrounds and experiences among elected members and senior staff, the development of a comparable, or at least compatible, management perspective by these individuals is a prerequisite to improved strategic decision-making. Executive development programs, for both elected members and senior staff, which focus on the identification and resolution of strategic issues in local government can provide the management perspective required.

Substantive management development programs for municipal staff are generally available from professional associations, colleges and universities. However, in Canada there are no comparable programs for councillors which address their unique management needs. The large sums of money for which these individuals are responsible offer a strong, if not compelling, incentive to provide elected members with the opportunity to develop a strategic perspective. This publication is aimed to redress this deficiency.

NOTES TO CHAPTER 4

1. Municipal Budgeting in Transition, The Board of Trade of Metropolitan Toronto (June 1980), p. 2-3.

2. Ibid., p. 3.

3. Performance Budgeting, The Corporation of the District of West Vancouver (November 1977), p. I-1.

4. Ibid., p. II-1.

5. Ibid., p. II-2, 3.

6. "The Policy Making Process", Association of Municipal Clerks and Treasurers of Ontario (September 1980), p. 16.

7. William McCann, "An Examination of Innovations in Modern Budgeting", Optimum, Vol. 11, No. 2 (1980), p. 38.

8. Charles Dirksen, and John Schneibelhut, "Municipal Reporting: The Councillor's Perspective", forthcoming.

9. The LGMP Experience: Phase I, Local Government Management Project (Kingston: Queen's University, 1977), p. 23-24.

10. Ibid., p. 25.

APPENDIX: BUDGET EXTRACTS

The five Appendices listed below represent extracts from actual budget documents to illustrate the information and data available to decision-makers from municipal budgeting processes that contain line-item, program, zero-base, performance or planning features:

Appendix A: Line-Item Budget Data
Appendix B: Program Features
Appendix C: Zero-Base Features
Appendix D: Performance Features
Appendix E: Planning Features

There are three objectives in presenting extracts from actual budget documents. First, the extracts indicate the influence the various budget features bring to bear on the budget documents. The structure of data presentation (determined by budget preparation activities) has a considerable impact on the focus of decision-makers' attention in the remaining budget adoption and execution phases of the budget process. Secondly, the extracts indicate the specific types of data which all members of council receive which form the basis for their perception of organizational purpose, priorities and policies. Thirdly, the extracts provide evidence of the ability of a line-item budget process to accommodate innovative features that will enhance the decision-making process.

The choice of these particular budgets was based on the extent to which certain features were dramatically obvious in the actual budget documents. Many line-item budgets contain program features, many zero-base processes contain performance features, and so on. The data were drawn from the Parks and Recreation section of each municipality. Consistent reference to data for a common activity will enable the reader to appreciate the significantly different information approaches that elected members and staff use in different municipalities for making essentially the same kinds of decisions.

LINE-ITEM BUDGET DATA

Exhibit LIB 1 contains an overview of the data available for the Parks and Recreation Department of a municipality with a line-item budget process.

The department's expenditures are divided into several major spending groups (Administration, Operations Division, Maintenance Division, Equipment Operations, Recreation Division, Arenas Division, Parks Special Projects and others). The Operations Division is the largest spending unit in the department with 1980 estimates totalling $1,483,910 out of a $3,406,653 departmental budget.

Within the Operations Division several types of activities are identified (weed control, trees - general, trees - planting, roadside mowing, overhead, parks, and natural ice rinks). The information about the "Parks" activities contained in this budget is the focus of attention in this and subsequent appendices. The estimated funding for Parks in 1980 is $799,920 (net), the largest single spending allocation in the Operations Division and in the entire Parks and Recreation Department.

It should be noted that the maintenance of parks falls within the jurisdiction of the Maintenance Division; similarly, the maintenance of equipment is the responsibility of the Equipment Operations Division. Thus the Operation Division's responsibilities for parks presumably exclude their maintenance, the maintenance of equipment, and parks special projects.

The supporting schedule of expenditures detailing the work of "Parks-Operations" is contained in Exhibit LIB 2. Objects of expenditures are shown as: personal services, equipment operations, materials, contracts, building operations, office and related expenses. Offsetting revenues are also identified. (All of the other spending divisions in the Parks and Recreation Department, and in the entire municipality, have similar supporting schedules in the budget documents).

With data contained in Exhibits LIB 1 and 2 there is very little indication to decision-makers of the purposes, priorities or expected results

of the $799,920 (net) expenditure. Here one presumes that parks will be operated at a service level requiring the expenditure of no more than $833,600 (gross). This, however, excludes the Maintenance Division's expenditures on parks, any equipment maintenance costs associated with parks and the $247,500 of special projects.

Few inferences can be drawn about the planning process which produced the expenditure estimates for 1980, contained in Exhibit LIB 1 and LIB 2. However, on January 21, 1980 the treasurer recommended, and council approved "... a general guideline of an 8% increase in expenditures". When the budget was debated by council in June 1980, estimated total municipal expenditures for 1980 were more than 12% greater than 'actual' 1979 expenditures and more than 9% above 'estimated' 1979 expenditures. The departmental estimates were similarly different from the council guideline. Total estimated parks spending ($3,406,653) in 1980 was 10.6% greater than the amount actually spent in 1979. Various divisions anticipated spending increases ranging from 2.7% in the Maintenance Division to 59% in the Equipment Division. Clearly more planning activity than simple line-by-line extrapolation of last year's spending went into the preparation of these data. However, the extent to which these activities, and their expected results, are consistent with the council's responsibilities to the electorate are not evident from object-of-expenditure data.

The partial emergence of program features in the department's budget process is evident from an additional submission to council by the department identifying the activities which accounted for the $833,600 (gross) expenditures in parks operations (Exhibit LIB 3). No other budgeting unit in the department, or the municipality, provided data beyond that contained in exhibits similar to LIB 1 and LIB 2.

It would be inappropriate of a council (whose only input into the budget process was the adoption of an 8% guideline for increases) to consider across-the-board, or even specific, cuts in funding when the budget is presented for debate in June of the budget year. There are few alternatives at that late date to endorsing the 12.5% increase in expenditures over actual 1979 spending.

EXHIBIT LIB 1
RECREATION AND COMMUNITY SERVICES
PARKS AND RECREATION

		ESTIMATE		ACTUAL	
		1980	1979	1979	1978
878	Administration, E23A	$ 241,322	$ 222,351	$ 205,361	$ 177,120
	OPERATION DIVISION				
720	Weed Control, E23B	$ (2,680)	$ (8,820)	$ (2,569)	$ 9,687
756	Trees - General, E23C	122,600	99,700	139,442	90,077
757	Tree Planting, E23C	13,000	18,000	10,594	12,013
758	Roadside Mowing, E23B	16,000	14,200	14,998	10,717
880	Overhead, E23D	535,070	460,454	478,439	400,888
881	Parks, E23E	799,920*	738,100	794,594	710,653
882	Natural Ice Rinks, E23E	-	8,450	6,410	6,651
		$1,483,910*	$1,330,084	$1,441,908*	$1,240,686
	MAINTENANCE DIVISION				
868	Community Centre, E23F	$ 30,100	$ 35,100	$ 31,013	$ 24,387
887	Arenas, E23F	43,650	50,450	48,527	43,520
888	Parks, E23F	56,100	52,300	48,997	41,913
889	Pools-Outdoors, E23F	28,600	31,550	26,776	26,754
890	Pools-Indoor, E23F	13,100	13,500	11,767	11,340
		$ 171,550	$ 182,900	$ 167,080	$ 147,914
	EQUIPMENT OPERATIONS				
896	Acquisitions, E23G	$ 181,000	$ 112,550	$ 113,584	$ 73,341
897	Equipment, E23G	64,500	64,075	60,269	51,766
898	Equipment Operations	(45,000)	(30,000)	(47,667)	(29,770)
		$ 200,500*	$ 146,625	$ 126,186*	$ 95,337
	RECREATION DIVISION				
901	Overhead, E23H	$ 205,800	$ 203,285	$ 198,448	$ 191,365
902	Inside Programs, E23H	28,650	28,500	8,659	11,812
	.	.	.	.	.
	.	.	.	.	.
	.	.	.	.	.
913	Bird Sanctuary, E23H	21,180	21,580	16,541	17,966
916	Services Rendered	-	-	-	396
		$ 609,178	$ 571,161	$ 550,107	$ 504,318
	ARENAS DIVISION				
915	Operations, E23I	$ 349,080	$ 352,235	$ 305,031	$ 304,596
918	Parks Special Proj.,E23I	$ 247,500*	$ 250,000	$ 252,036	$ 212,095
931	Community Centre, E24	$ 80,000	$ 12,000	$ 10,110	$ 32,752
	Recreation Grants, E30	$ 23,613	$ 21,120	$ 21,120	$ 20,660
	TOTAL PARKS	$3,406,653*	$3,088,476	$3,078,939*	$2,735,478

LINE-ITEM DATA

EXHIBIT LIB 2
PARKS-OPERATIONS

	ESTIMATE		ACTUAL	
	1980	1979	1979	1978
PERSONAL SERVICES				
001 Salaries or Wages - Regular	$ 488,400	$ 461,800	$ 475,993	$ 436,701
002 Salaries or Wages - Overtime	68,500	62,500	77,611	62,773
Total Personal Services	556,900	524,300	553,604	499,474
EQUIPMENT OPERATIONS				
015 Rentals	143,000	125,000	136,768	123,930
017 'blank'	-	-	-	96
Total Equipment Operations	143,000	125,000	136,768	124,026
MATERIALS				
036 Construction - Other	-	6,000	3,837	9,439
038 General Supplies	88,000	72,000	77,274	71,958
Total Materials	88,000	78,000	81,112	81,397
CONTRACTS FOR WORKS				
045 Contracts - General	2,000	2,500	1,744	2,357
046 Contracts - Other	12,000	9,000	11,885	8,200
Total Contracts	14,000	11,500	13,630	10,557
BUILDING OPERATIONS				
051 Repairs	1,700	1,200	1,162	651
052 Heat, Light, Power, Water	30,000	15,500	27,519	14,556
058 Insurance - Other	-	-	18	18
Total Building Operations	31,700	16,700	28,699	15,226
OFFICE AND RELATED EXPENSE				
072 Books and Publications	-	-	-	14
OTHER SERVICES AND CHARGES				
085 'blank'	-	-	-	573
Total Expenditure	$ 833,600*	$ 755,500	$ 813,815	$ 731,270
GROSS REVENUE				
310 Garden Plots	2,000	1,500	1,450	1,590
320 Sports Parks	5,000	4,700	6,389	3,527
330 Donation	-	-	-	500
340 Park	11,380	11,200	11,380	11,380
360 Picnic Permits	700	-	-	3,619
370 Sports Park Seasonal Fees	14,300	-	-	-
380 Tournament Fees	300	-	-	-
Total Gross Revenue	$ 33,680	$ 17,400	$ 19,220	$ 20,617
NET EXPENDITURE/REVENUE	$ 799,920*	$ 738,100	$ 794,594	$ 710,653

LINE-ITEM DATA

EXHIBIT LIB 3
PARKS - OPERATIONS

ACTIVITY	1980 ESTIMATED TOTAL
Benches and Picnic Table Maintenance	$ 27,300
Signs, Bumpers, Snow Fence	5,000
Grading Parking Lots	1,500
Snow Plowing and Removal	27,800
Tree Planting	16,950
Tree Maintenance	31,700
Tree Removal	2,000
Stump Removal	2,000
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Brush Clearing	600
Other Park Maintenance	15,300
Small Tools and Equipment	28,000
Downtown Beautification	4,800
Special Events	3,500
City Hall Maintenance	6,000
Public Library	5,100
Ladies Softball Tournament	2,300
Industrial League Tournament	2,900
Fastball Tournament	3,600
Park Reseeding	1,700
Park Fencing	1,600
Deliveries - Passive Parks	8,100
Deliveries - Recreational Parks	3,050
Park Litter Pick-up	55,500
Building Repairs	1,700
Heat, Light, Power and Water	30,000
Portable Toilets for Parks	2,000
Park Lighting and Garbage Pick-up Contract	12,000
TOTAL PARKS OPERATIONS	$833,600 *

PROGRAM FEATURES

Exhibit PRO 1 is an extract from a budget produced by a process containing comprehensive program features. The top half of the exhibit identifies five major spending programs in the municipality's Parks and Recreation Department (Administration, Debt Charges, Parks Programs and Facilities). The information given here is analogous to that contained in Exhibit LIB 1, although in considerably less detail.

The lower half of Exhibit PRO 1 shows the total of the five spending programs classified by object of expenditure. The reconciliation of the total approved appropriation, by object of expenditure ($2,775,230) to the total of approved appropriations by program classification indicates that the municipality's accounting system had been expanded to accommodate the additional data requirements of program budgeting. The Parks Program calling for an approved expenditure of $1,078,448 is the largest single spending program in the department.

The level of program detail included in Exhibit PRO 1 is not particularly illustrative of program features in a budget process. Program features are more evident where at least one or more levels of subprograms can be identified in the budget data. In this municipality, the first level of subprograms (Exhibit PRO 2) included in the Parks Program are: Administration; Maintenance; Equipment Operations; Development Programs; Special Projects; Forestry and Cemeteries. A description of the Parks Program, by object of expenditure, is contained in the lower half of the exhibit. This description is comparable to that shown for the Operation Division in the line-item budget illustrated in Exhibit LIB 1. The "Park Maintenance" subprogram is the largest single spending unit within the Parks Program with an authorized expenditure of $605,886. (Again these data are cross-classified by object of expenditure in the lower half of Exhibit PRO 2). The activities involved in this subprogram correspond most closely to those of the Parks-Operation Unit in the line-item budget and are described and detailed in Exhibit PRO 3.

The data in Exhibit PRO 2 are distinctive from that in the corresponding line-item exhibit (LIB 2) because a set of eleven activities is

identified along with their related funding (Turf Maintenance, Horticultural Maintenance, ... School Grounds and Manpower Overhead). These additional program data are supplemented by object-of-expenditure data in the lower section of Exhibit PRO 3.

These activity data indicate the purpose of spending $605,886 on Parks Maintenance in terms of the types of services which are provided by the organization. With these data, decision-makers can identify the scope of proper and affordable municipal purposes and entertain revisions in these services. For example, some activities might be removed from the budget, or alternative ways of, perhaps, maintaining school grounds might be explored. Additionally, the issue of service levels and priorities becomes visible to decision-makers when activities are further segmented. The potential usefulness to council of these data is in sharp contrast to object-of-expenditure data where specific services, and the potential for alternatives and priority-rankings are comparatively invisible for the entire range of departmental activities.

In relation to the basic line-item presentation of data, program features in a budgeting process extend the perspective of councillors and staff to the issue of municipal purpose. With this perspective council can begin to consider strategic alternatives to existing definitions of municipal purpose and priority.

PROGRAM DATA

EXHIBIT PRO 1

SUMMARY OF EXPENDITURES AND REQUESTS

FUNCTION-RECREATION AND COMMUNITY SERVICES
SUB-FUNCTION - PARKS AND RECREATION SUMMARY

SUMMARY OF COSTS BY PROGRAM	1979 BUDGET	1979 PROJECTED ACTUAL	1980 REQUEST	INCREASE OR DECREASE COMMITTEE	INCREASE OR DECREASE COUNCIL	1980 APPROVED BY COUNCIL
Administration	259,222	265,625	247,350	(10,600)	-	236,750
Debt Charges	508,934	508,934	510,351	-	-	510,351
Parks	949,652	933,022	1,139,379	(60,931)	-	1,078,448*
Programs	524,798	503,467	550,746	-	-	550,746
Facilities	390,639	396,387	398,935	-	-	398,935
TOTAL	2,633,245	2,609,435	2,846,761	(71,531)	-	2,775,230*
SUMMARY BY OBJECT CLASSIFICATION						
Personnel	1,722,521	1,696,432	1,881,913	(10,000)	-	1,871,913
Materials and Supplies	322,431	304,308	349,382	-	-	349,382
Capital Expenditures	369,356	381,046	512,954	(60,931)	-	512,023
Purchased Services	556,605	512,970	567,031	(600)	-	566,431
Debt Charges	508,934	508,934	510,351	-	-	510,351
Transfers to Own Funds and Others	269,871	309,176	352,632	-	-	352,632
	3,749,708	3,692,870	4,174,259	(71,531)	-	4,052,728
ACTIVITY REVENUE	(1,111,463)	(1,083,435)	(1,327,498)	-	-	(1,277,498)
TOTAL	2,633,245	2,609,435	2,846,761	(71,531)	-	2,775,230*

PROGRAM DATA

EXHIBIT PRO 2

DEPARTMENTAL SUMMARY OF EXPENDITURES AND REQUESTS

FUNCTION - RECREATION & COMMUNITY SERVICES
SUB-FUNCTION - PARKS

DEPT.-PARKS & RECREATION
PROGRAM - SUMMARY

SUMMARY OF COSTS BY PROGRAM/ACTIVITY	1979 BUDGET	1979 PROJECTED ACTUAL	1980 REQUEST	INCREASE OR DECREASE COMMITTEE	INCREASE OR DECREASE COUNCIL	APPROVED BY COUNCIL
Administration	154,723	157,988	166,616	-	-	166,616
Park Maintenance	530,180	534,046	605,886	-	-	605,886*
Equipment Operations	17,030	17,030	24,181	-	-	24,181
Development Program	96,076	100,079	125,931	(15,931)	-	110,000
Special Projects	51,500	52,000	132,000	(45,000)	-	87,000
Forestry Section	78,520	54,366	70,686	-	-	70,686
Cemeteries Section	21,623	17,513	14,079	-	-	14,079
TOTAL	949,652	933,022	1,139,379	(60,931)	-	1,078,448*
SUMMARY BY OBJECT CLASSIFICATION						
Personnel Services	689,624	609,086	699,049	-	-	699,049
Materials and Supplies	166,660	150,728	166,806	-	-	166,806
Capital Expenditures	197,606	198,079	330,254	(60,931)	-	269,323
Purchased Services	139,374	128,588	125,360	-	-	125,360
Transfers to Own Funds and Others	156,911	141,866	151,412	-	-	151,412
ACTIVITY REVENUE	(283,523)	(295,325)	(333,502)	-	-	(333,502)
TOTAL	949,652	933,022	1,139,379	(60,931)	-	1,078,448

PROGRAM DESCRIPTION

All aspects of parks maintenance and development is included in this section as well as the Forestry Operation including street tree planting and the operation of all Town Cemeteries.

PROGRAM DATA

EXHIBIT PRO 3

DEPARTMENTAL SUMMARY OF EXPENDITURES AND REQUESTS | FUNCTION - RECREATION & COMMUNITY SERVICES | SUB-FUNCTION - PARKS | DEPT.-PARKS & RECREATION | PROGRAM - PARKS MAINT.

SUMMARY OF COSTS BY PROGRAM	1979 BUDGET	1979 PROJECTED ACTUAL	1980 REQUEST	INCREASE OR DECREASE COMMITTEE	INCREASE OR DECREASE COUNCIL	APPROVED BY COUNCIL
Turf Maintenance	115,272	109,657	124,438	-	-	124,438
Horticultural Maintenance	48,600	59,415	75,928	-	-	75,928
Grounds Clean-up	44,475	40,421	45,502	-	-	45,502
Park Structures & Services	61,300	66,038	73,695	-	-	73,695
Sports Facility Maint.	52,700	50,022	60,014	-	-	60,014
Playground Maintenance	8,000	6,900	8,518	-	-	8,518
Special Services	31,290	39,532	41,163	-	-	41,163
Park Service Operations	73,000	71,840	79,300	-	-	79,300
Special Projects	3,550	3,730	2,935	-	-	2,935
School Grounds	47,561	27,838	40,789	-	-	40,789
Manpower Overhead	44,432	58,653	53,604	-	-	53,604
TOTAL	530,180	534,046	605,886	-	-	605,886*
SUMMARY BY OBJECT CLASSIFICATION						
Personnel Services	334,815	368,548	429,693	-	-	429,693
Materials and Supplies	81,395	83,841	90,716	-	-	90,716
Capital Expenditures	-	-	-	-	-	-
Purchased Services	30,500	26,129	24,900	-	-	24,900
Transfers to Own	117,600	99,212	112,512	-	-	112,512
ACTIVITY REVENUE	(34,130)	(43,684)	(51,935)	-	-	(51,935)
TOTAL	530,180	534,046	605,886		-	605,886

PROGRAM DESCRIPTION

This section includes all costs associated with routine landscape maintenance and facility properties as well as School properties, Harbour properties, certain road allowance areas and other special town properties that are not designated as Parks.

ZERO-BASE FEATURES

Exhibit ZB 1 is an extract from a budget produced by a process incorporating zero-base features. The "turf maintenance" decision unit illustrated in the exhibit is only one of the forty departmental decision units identified in the municipal budget. Budget information analogous to that for the turf maintenance activities is provided for each Parks and Recreation decision unit.

The information in Exhibit ZB 1 describes the purpose of the decision unit's activities, and in this instance, identifies the funding requested for four decision packages involving turf maintenance (i.e. (1) "Minimum", (2) "Intermediate", (3) "Current", and (4) "Enriched packages". The activities embodied in each decision package are described and their costs indicated on an incremental and cumulative basis. As well, the percentage increase over the previous year's budgeted expenditure is indicated for each cumulative funding level. Thus, decision packages 1 and 2 represent reductions in expenditures in relation to 1979. Package 3 would raise spending by $47,530 (net) to maintain current service levels. An additional $17,793 would 'enrich' current services by reducing the time-interval between mowings.

The data in Exhibit ZB 1 are only a summary of the information available in the preliminary budget documents prepared for the municipality. Exhibit ZB 2 and ZB 3 are extracts from these more-detailed documents.

Exhibit ZB 2 identifies the purpose, long-term goals, short-term objectives, service delivery policies (organization of staff and equipment), alternative service delivery approaches, major problems and analysis of activities in the turf maintenance decision unit.

Exhibit ZB 3 provides an elaboration on the services/activities involved in the "current" decision package. This package, in combination with packages 1 and 2, will maintain turf maintenance services and activities at the same level as in the immediately preceding year. Detailed object-of-expenditure data, staffing data and analysis is provided in this exhibit.

The set of data and information contained in Exhibits ZB 1, ZB 2 and ZB 3 provides a relatively broad perspective to those making strategic decisions of municipal purpose and policy.

The distinctive characteristic of the zero-base features of this municipality's budget process is evident in Exhibit ZB 4. There a priority ranking is indicated for all 128 decision packages contained in the department's forty decision units. In this departmental ranking the four decision packages in the turf maintenance decision unit have been ranked 6th, 40th, 65th, and 112th.

Exhibit ZB 5 is an extract from the corporate-wide ranking of all decision packages of all decision units. Here decision packages 3 of the turf maintenance unit is given a priority ranking of 368 and decision package 4 is ranked 417th in relation to the municipality's entire set of 458 decision packages. Of particular significance in this exhibit is the location of the "Funding Line" located after the decision package ranked 381st. This predetermined limit on expenditures to $18,510,637 (net), in conjunction with the priority rankings of the decision packages, results in decision package 4 of the turf maintenance program not receiving its incremental funding request of $17,793 (net). Consequently only the "current" turf maintenance services and service levels have a sufficiently high organizational priority to warrant funding. Identification of the priority of municipal services/activities and those which will be funded is the unique contribution of a zero-base feature in decision-making.

ZERO-BASE DATA

EXHIBIT ZB I
RECREATION AND CULTURAL SERVICES
PARKS AND RECREATION DEPARTMENT

TURF MAINTENANCE - 170A

Purpose - To provide for a level of turf maintenance which will allow grass to grow in healthy, playable, and aesthetically pleasing state. To have the necessary techniques of good maintenance applied on a timely basis, including mowing, fertilizing, aerifying, spraying and watering of approximately 270 acres of turf. In addition, to cut and clear 350 areas of public land under municipal control. To enforce the Weed Control Act and cut and clear private property as necessary.

BUDGET REQUESTS

Decision Package Number	Gross Budget	Net Budget	Cum. Net Budget	% of 1979 Budget	Funding Level
1	75,611	74,111	74,111	51.8	
2	46,961	46,961	121,072	86.4	
3	47,530	47,530 *	168,602	117.3	←
4	17,793	17,793 *	186,395	130.7	

DESCRIPTION OF DECISION PACKAGE

Decision Package	Description	Staff	Funding Level
1	All large, open park areas will be cut but no trimming will take place. Citizens' complaints re noxious weeds will be attended to.	3	
2.	Cut and trim some of the smaller, more highly visible areas. Fertilize sports fields.	2	
3.	Mowing 270 acres of turf on a 10-11 day rotation. Cut and clear public lands. Fertilize highly visible areas; aerify all areas.	3.1	←
4.	To allow us to reduce mowing rotation in parks areas to 9-10 days.	.4	

ZERO-BASE DATA

DEPARTMENT - Parks and Recreation

SECTION - Parks

EXHIBIT ZB 2

DECISION UNIT SUMMARY

DECISION UNIT TITLE - Turf Maintenance

DECISION UNIT CODE - 170A

PREPARED BY -

REVIEWED BY -

PURPOSE/LONG TERM GOAL

To provide a level of turf care which will allow the grass in park areas to remain healthy, playable, and aethetically pleasing. This requires the use of good maintenance techniques and their timely application. The municipality has approximately 270 acres of turf requiring regular mowing, fertilization and aerification, as well as control of weeds and irrigation. In addition, 350 acres of public land must be cut and cleaned at least annually and properties which do not comply with the Weed Control Act must be cut.

OBJECTIVES FOR THE BUDGET YEAR

To reduce the mowing rotation in 1980 to nine (9) days in park areas and upgrade the maintenance of 10 public areas.

RECOMMENDED METHOD OF OPERATION AND LEVEL OF SERVICE FOR THE BUDGET YEAR (HIGHLIGHT CHANGES FROM PRIOR YEAR)

(1) 4 men to cut and trim approximately 23 areas in the east portion of the municipality on a 9-10 day rotation.
(2) 4 men to cut and trim approximately 22 areas in the west portion of the municipality on a 9-10 day rotation.
(3) 3 men to cut and trim approximately 22 high profile areas on a 5-6 day rotation.
(4) 3 men to operate large mowing equipment to assist east and west crews.
(5) 4 men to cut on road allowances and boulevards of approximately 350 acres.
These men will also cut on private properties as designated by the Weed Control Act.
(6) 1 man with spray licence for weed control and fertilizing.

ALTERNATIVE METHODS OF OPERATION CONSIDERED BUT REJECTED (STATE REASONS FOR REJECTION)

Increase mechanization by purchase of 1 more 7-gang mower unit.
Purchase of 2 more 84" tri-plex machines to replace 20" mowers. Purchase of another spray unit to control weeds on boulevard.
Contract the mowing and spraying operations. Due to the time factor, we are unable to pursue these items on a timely basis.

KEY ISSUES, PROBLEMS, CONSTRAINTS

Litter and debris on turf areas are a problem to the mowing crews.

LONGER TERM CONSIDERATIONS

Redevelopment of some difficult to maintain areas and increase in mechanization, large units.

DECISION PACKAGE TITLE	TOTAL GROSS COST		TOTAL REVENUE		NET BUDGET		% OF PRIOR YRS. BUDGET	NO. OF PERSONNEL		% OF PRIOR YRS. BUDGET
	This Increment	Cumul.	This Increment	Cumul.	This Increment	Cumul.		This Increment	Cumul.	
Minimum	75,610	75,610	1,500	1,500	74,110	74,110	51.8%	3.0	3.0	33%
Intermediate	46,961	122,572	-	-	46,961	121,072	86.4%	2.0	5.0	83.3%
Current	47,530	170,102	-	-	47,530	168,602	117.3%	3.1	8.1	100%
Enriched	17,792	187,894	-	-	17,792	186,394	130.7%	0.4	8.5	118%

ZERO-BASE DATA

DEPARTMENT - Parks and Recreation | EXHIBIT ZB 3 | DECISION PACKAGE TITLE: Turf Maintenance

SECTION - Parks | DECISION PACKAGE ANALYSIS | DECISION PACKAGE 3 OF 4

DEPT. RANK ___ OF ___

DESCRIBE THE SERVICE/ACTIVITY PROVIDED AT THIS LEVEL OF FUNDING AND THE BENEFITS WHICH THE MUNICIPALITY WILL DERIVE

(1) Mow the 270 acres of turf on a rotating schedule of 10-11 days.
(2) Cut and clean up boulevard and road allowance areas.
(3) Fertilize all major areas.
(4) Aerify all areas.

DESCRIBE HOW THE SERVICE/ACTIVITY WILL BE PROVIDED

(1) Cutting large areas with a seven (7) Gang mower unit.
(2) Cutting banks and rough areas with a 6' Mott and a Jacobsen rotary mower.
(3) Trimming and cutting smaller areas with 2 crews of 5 men each; using an 84" triplex and 20" power mowers.
(4) Fertilizing with a tractor pulled spreader on most areas; hand spreader on small areas.
(5) Weed spraying with a tractor pulled spray unit, plus a hand gun for small areas.
(6) Aerifying with an aerifying machine.
(7) Maintain boulevards with 20" power mowers, trim with motorized trimmers.

WHAT PROBLEMS WOULD EXIST IF FUNDING WAS NOT APPROVED BEYOND THIS LEVEL

This level requires that every man and piece of equipment must be available at all times. Any absences of manpower or breakdwon of our major equipment would create a problem.

WORKLOAD AND PERFORMANCE MEASURES	PRIOR YEAR	THIS INCREMENT	CUMULATIVE	% OF PRIOR YR
		Trim all	Trim all	
Mow and trim 270 acres parkland	270	270 acres	270 acres	100%
Aerifying	270	270	270	100%
Fertilizing	50	25	50	100%
Weed Control Public Lands	350	125	250	71%
Weed Control Act Enforcement	39	0	39	100%
Spraying	270	150	200	74%

FINANCIAL REQUIREMENTS	PRIOR YRS. BUDGET	PRIOR YRS. EST. ACT.	THIS INCREMENT	CUMUL.	% OF PRIOR YRS. BUDGET
Salaries, wages & benefits	129,369	127,586	46,341	146,372	113.1%
Other operating costs	15,231	14,969	1,189	23,729	155.8%
Capital Costs (Incl. Debt Chs)					
Total Gross Cost	144,600	142,555	47,530	170,102	117.6%
Revenues & User Charges	1,500	1,500		1,500	100%
Total Net Budget	143,100	141,055	47,530	168,602	117.3%
NUMBER OF PERSONNEL					
Permanent Employees (26 wks.)	6.0	6.0	0	5	83.3%
Temporary Employees	-	-	-	-	-
Casual Employees (20 wks.)	1.6	1.6	3.1	3.1	193.8%
Total Employees	7.6	7.6	3.1	8.1	112%

ZERO-BASE DATA

EXHIBIT ZB 4

PRIORITY RANKING LIST

DEPARTMENT - Parks and Recreation ORGANIZATION LEVEL RESP. MANAGER

RANK	DECISION PACKAGE TITLE	DECISION PACKAGE CODE	DECISION PACKAGE			CUMULATIVE		
			STAFF	GROSS $	NET $	STAFF	GROSS $	NET $
1.	Parks and Recreation - Administration	150A 1 of 3	4	935,320	935,320	4	935,320	935,320
2.	Parks - Administration	160A 1 of 4	6	191,105	191,105	10	1,126,425	1,126,425
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5.	Parks - Forestry	170J 1 of 4	9	221,927	156,927	27.5	1,598,446	1,533,446
6.	Parks - Turf	170A 1 of 4	3	75,611	74,111	30.5	1,674,057	1,607,557
7.	Parks - Litter	170B 1 of 3	1	24,110	24,110	31.5	1,698,167	1,631,667
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39.	Parks - Forestry	170F 2 of 4	2	47,581	42,581	498.09	3,209,926	2,854,897
40.	Parks - Turf - Maintenance	170A 2 of 4	2	46,961	46,961	500.09	3,256,887	2,901,858
41.	Parks - Litter	170B 2 of 3	1	18,946	18,946	501.09	3,275,833	2,920,803
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64.	Parks - Forestry	170J 3 of 4	3	75,922	63,922	545.49	8,726,289	3,176,428
65.	Parks - Turf Maintenance	170A 3 of 4	3.1	47,530	47,530	548.59	3,773,819	3,223,958
66.	Parks - Litter	170B 3 of 3	1.55	31,052	30,652	550.14	3,804,871	3,254,610
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111.	Recreation - Special Services-Specialized Prog.	190Y 4 of 4	13	9,897	4,586	670.87	4,403,072	3,786,805
112.	Parks - Turf	170A 4 of 4	.4	17,793	17,793	671.27	4,420,865	3,804,598
113.	Parks - Development	170G 4 of 4	1.25	30,793	30,793	672.52	4,451,658	3,835,391
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126.	Recreation - Pool - Extending Hours	190G 4 of 4	-	3,582	2,886	687.12	4,546,894	3,914,357
127.	Recreation - Aquatics - Additional Teaching	190X 4 of 4	42	40,644	30,916	729.12	4,587,538	3,945,273
128.	Recreation - Extended Use	1901 2 of 2	.2	21,444	21,444	729.32	4,608,982	3,966,717

ZERO-BASE DATA

EXHIBIT ZB 5

PRIORITY RANKING LIST

REF.	DEPT.	DECISION UNIT	RANK	DECISION PACKAGE CODE	TITLE	BY DECISION PACKAGE STAFF	GROSS	NET	CUMULATIVE STAFF	GROSS	NET
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92	Health Serv	Dental	260	120D	2-4 Int Dent Ser	2.00	48,601	32,417	1,142.78	24,037,098	14,908,367
116	Parks & Rec	Turf Maintenance	261	170A	3-4*Turf Maint	3.10	47,530	47,530	1,145.88	24,084,628	14,955,897
31	Clerk S	Ad Hoc Committees	262	010F	1-1 Sec Serv P/T	50	6,635	6,635	1,146.36	24,091,263	14,962,532
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29	Clerk S	Recording Secretaries	379	010B	4-4 Rec Sec Wd Pro	1.00	19,983	19,983	1,420.40	28,014,861	18,421,155
151	Parks & Rec	Arts-Spec Services	380	190Y	4-4 Spec Prog	13.00	9,897	4,586	1,433.40	28,024,758	18,425,741
55	Works	Asphalt Surfaces	381	080C	3-4 Inc. 20 to 33	4.00	109,601	84,896	1,437.40	28,134,359	18,510,637
					funding line						
57	Works	Roadside Maint.	382	080E	3-3 Rep Saf Rails	30	6,957	6,957	1,437.70	28,141,316	18,517,594
54	Works	Curb x Sidewalk	383	080B	3-4 Temp Pat & Ram	5.30	144,601	121,451	1,443.00	28,285,917	18,639,045
121	Parks & Rec	Equip Rent-Services	384	170F	4-4 Equipt Maint		6,000	6,000	1,443.00	28,291,917	18,645,045
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53	Works	Administration	416	080A	4-4 Better Mgnt	1.30	28,157	28,157	1,523.00	29,028,822	19,301,724
116	Parks & Rec	Turf Maintenance	417	170A	4-4 Turf Maint	40	17,792	17,792	1,523.40	29,046,614	19,319,516
64	Works	Snow Removal	418	080L	2-4 Snow Removal	90	29,323	10,406	1,524.30	29,075,937	19,329,922
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64	Works	Snow Removal	456	080L	4-4 Snow Removal	30	37,735	37,735	1,578.69	30,161,647	20,350,566
77	Building	Plan Examination	457	090B	5-5 Ext Hrs Exam	1.00	22,400	22,400	1,579.69	30,184,047	20,372,966
119	Parks & Rec	Athl Fld-Nat Ice Rink	458	170D	4-4 Maint BCCE Crt	25	1,595	1,595	1,579.94	30,185,642	20,374,561

PERFORMANCE FEATURES

Exhibit PER 1 is an extract from the documents used in a municipality that has incorporated performance features in its budget process. The "General Parks" program illustrated in the exhibit is the largest, non-administrative program in the Parks and Recreation Department of this municipality.

The central feature of Exhibit PER 1 is the classification and listing of a variety of throughput, efficiency and effectiveness performance measures. Each measure is described in terms of its data requirements, collection methods and frequency.

In addition to performance features, this municipality's budget process also contains zero-base features. Consequently, General Parks is one of eighteen decision units within the parks and recreation department. Exhibit PER 2 contains a description of this decision unit's responsibility, various funding requirements for current-level and expansion-level decision packages, and a bar graph indicating the changes in staffing and acreage responsibilities since 1970. This bar graph provides a considerable, historical perspective as well as a forecast of the responsibilities for 1983 -- one year beyond the budget period.

Exhibit PER 3 provides additional detail on the decision units' benefits/activities, methods/resources, and identifies the consequences of not funding both the reduced level of activity (S/L 1) and the current level (S/L 2). Of particular interest in this exhibit is the selection of several performance measures from the list previously described in Exhibit PER 1.

Two throughput measures are reported in Exhibit PER 3. "Acres maintained" are expected to increase in 1982 to 1,513 from 1,409 in 1981. The number of "users" of parks is expected to remain constant at approximately 4.4 million people. Both of these performance indicators are shown as being independent of the funding level.

The efficiency measure used by this decision unit, "net cost per user", indicates that the cost per user is expected to decline in 1982 from the $.33 experienced in 1981. When a reduced level of funding is provided (i.e. S/L 1), cost per user is expected to drop to $.26; if the current service level (S/L 2) is funded, then the cost per user is expected to drop to $.25.

The effectiveness measure included in this exhibit, "user satisfaction with maintenance (very good and good)", is indicated at 88% in 1981 and expected to be continued at this level in 1982 if the current service level (S/L 2) is funded. If the reduced level of funding (S/L 1) is provided, a significant decline in the percentage of satisfied users is forecast (i.e. 62%).

While many other performance measures might be included in the budget documents (see Exhibit PER 1) the inclusion of those indicated in Exhibit PER 3 begins to provide an indication of the benefits that the municipality will receive for various increments of funding. In this illustration, the incremental $302,000 required to maintain existing service levels (in relation to a reduced level) will prevent user satisfaction from dropping by 26 percentage points to 62%. Here, managers requesting funds become responsible not only for controlling expenditures but also for the results of these expenditures in the community. In this case, the result is "user satisfaction."

Appendix D

PERFORMANCE DATA

EXHIBIT PER I

DEPARTMENT - Parks and Recreation

PROGRAM AREA - General Parks

SIGNATURE - Manager-Parks & Recreation

PROGRAM DESCRIPTION - Maintenance of City parks and properties for general upkeep and beautification

DATE - December 31, 1980

PERFORMANCE MEASUREMENTS	SOURCE AND HOW COLLECTED	HOW ANALYSED OPTIONS	COLL. FREQ. CODE
WORKLOAD/DEMAND			
- number of acres to be maintained per person	work schedule	Manual	Weekly
- total number of acres maintained (or per type)	internal records	Manual	Weekly
- number of areas from which snow was removed	internal reports	Manual	Annual
- landscapea plantings and gardens maintained by number and square feet	internal reports	Manual	Annual
- manhours expended replacing and repairing fences (or other activity)	work schedules	Manual	Monthly
- acres planned for development	internal reports	Manual	Annual
- number of trees planted/removed/transplanted out for Christmas	work records	Manual	Daily
- new sites/acres designed	internal records, engineering records	Manual	Annual
EFFICIENCY			
- cost for recreational use per acre maintenance (gross cost-number of acres)	approved budget, internal records	Manual	Annual
- cost of maintenance of parkland acres/1,000 population	budget printouts, financial reports for population	Manual	Annual
- development cost per acre	budget printouts, internal records	Manual	Annual
- gross/net program cost per capita and adjusted for inflation	approved budget, C.P.I. for city, financial report for population	Manual	Monthly
EFFECTIVENESS			
- number of fields marked/number of teams	internal records	Manual	Seasonal
- litter collection (No. pick-ups/No. sites /man days)	internal records	Manual	Monthly
- man days of work performed at this level	internal records	Manual	Quarterly
- maintenance level (No. of parks at D/No. at B/No. at A)	internal records	Manual	Quarterly
- landscaping maintenance tasks performed (& by type of facility) scheduled maintenance tasks	internal records and work schedules	Manual	Daily
- percentage of time facilities are closed for maintenance	internal records	Manual	Monthly
- percentage of citizens satisfied with maintenance of facilities	surveys	Manual	Bi-annual

Appendix D

PERFORMANCE DATA

DEPARTMENT - Community Services

DEPARTMENT - Parks & Recreation

EXHIBIT PER 2
DECISION UNIT SUMMARY

DECISION UNIT TITLE - General Parks

DECISION UNIT CODE - PKR 6

PREPARED BY:

DATE: October 20, 1981

PURPOSE AND DESCRIPTION

To develop, maintain and operate 1,300 acres of parkland to service the spontaneous and organized needs of the community. Over 100 sites are funded through this decision unit ranging from .14 acres to parks of well over 200 acres (Boulevards, Chappies, etc.) The development component includes ongoing upgrading of existing parks; through landscaping, tree planting and structural improvements. This maintenance component includes the following: grass cutting, litter collection and ground clean-up, city beautification, building care, equipment maintenance and tree maintenance and removal.

IMPROVEMENT AND INNOVATIONS

The finalization of a maintenance standards policy that will establish a hierarchy of maintenance levels and the provision of analytical tools to project staff and machine requirements for proposed facilities. The Department will continue to monitor and evaluate user information: i.e. frequency, satisfaction, services utilized etc., and compare to the 1981 study data to determine future trends. This will also allow for monitoring to gauge the effectiveness of changes implemented as a result of the 1981 data.

FINANCIAL RESOURCES ($000's)	1981 BUDGET	1981 ESTIMATED ACTUAL	1982 PROPOSAL CURRENT LEVEL	1982 PROPOSAL EXPANSION LEVEL	1982 TOTAL
GROSS COST $	997	1,069	1,102	-	1,102
% OF 1981 ACTUAL	93%	100%	103%	- %	103%
ALL REVENUES	(15)	(15)	(17)	(-)	(17)
NET COST	982	1,054	1,085	-	1,085

EXPLANATION: A short winter in 1981 reduced the wage expenditures to PKR 10 (Winter Rinks) and caused an increase in PKR 6 (General Parks) causing an over-expenditure in PRK 6 & under in PKR 10. The combined units indicate 103% of the 81 Budget will be spent in 1981 & the current level of 1982 as 111% of the 1981 estimated actual for the combined package.

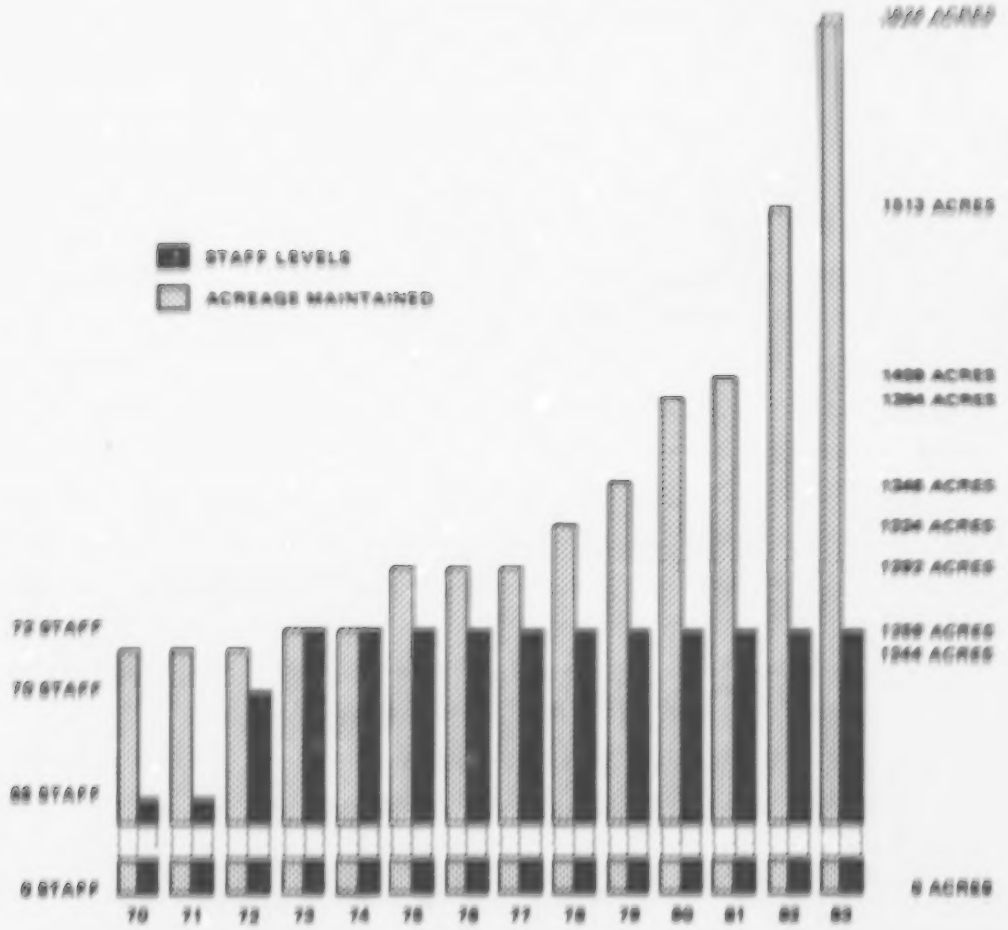
MANPOWER RESOURCES

FULL TIME F.T.E.'s	No.'s	20.4	20.4	25.0	-	25.0
	NEW	-	-	-	-	-
TEMPORARY	F.T.E.'s	7.2	7.2	2.8	-	2.8
	NEW	-	-	-	-	-

REVIEWED BY: Department Head

DIRECTOR:

PERFORMANCE MEASUREMENT



SERVICE LEVEL (S/L) ANALYSIS

PERFORMANCE DATA

EXHIBIT PER 3

DECISION UNIT NAME: General Parks

CODE: PKR 6

SERVICE LEVELS	S/L-1 CURRENT	S/L-2 CURRENT
BRIEF DESCRIPTION OF BENEFITS/ACTIVITIES/METHODS/RESOURCES	Maintenance of 1,300 acres of parkland using large scale equipment, lighting of parks and facilities, replacement of equipment, maintenance of buildings, vandalism repair, community centre grounds maintenance, and heating and cleaning of park buildings, maintenance and operation of park equipment fleet.	Addition of sand mowing, grass trimming, flower & tree planting, building maintenance, organized picnics & special events assistance, provision of uniforms for supervisory staf, road & park maintenance.
CONSEQUENCES OF NOT FUNDING	Elimination of minimal park maintenance reducing parks to hay fields creating fire hazards and reducing usage to passive only. Elimination of all outdoor summer sporting opportunities (baseball, football, soccer, etc.) Creation of an unkept community.	Elimination of quality care in city parks, city beautification, tree programmes, assistance to organized picnics and special events services to other departments.

NOTE: The combination of increasing park acreage and upgraded NIP facilities in 7 location and no change to staff resources in this area in 1982 could cause some decreases to levels of service and some citizen complaints.

	SERVICE LEVELS		S/L-1	S/L-2	CUM	S/L3	CUM	S/L-4	CUM
FINANCIAL SOURCES ($000's)	GROSS COST		794.2	308.5	1,102.7	-	-	-	-
	% OF 1981 EST. ACTUAL		74.2%	28.8%	103.0%	%	%	%	%
	ALL REVENUES		(10.8)	(6.5)	(17.3)	( )	( )	( )	( )
	NET COST		783.4	302.0*	1,085.4	-	-	-	-
MANPOWER RESOURCES	FULL TIME F.T.E.'s	No.'s	18.6	6.4	25.0	-	-	-	-
		NEW	-	-	-	-	-	-	-
	TEMPORARY	F.T.E.'s	-	2.8	2.8	-	-	-	-
		NEW	-	-	-	-	-	-	-

PERFORMANCE MEASUREMENTS:	1981	S/L-1 CUM	S/L-2 CUM	S/L-3 CUM	S/L-3 CUM
Acres maintained	1,409*	1,513*	1,513*	-	-
User satisfaction with maintenance (very good and good)	88%*	62%*	88%*	-	-
Total users (000,000)/net cost per user	4.4*M/$.33*	4.4*M/$.26*	4.4*M/$.25*	-	-

PLANNING FEATURES

Exhibit PL 1 is an extract from a budget reflecting considerable planning elements. The exhibit summarizes the expenditures and revenues associated with the programs in a Park/Recreation Department. All departmental activities are incorporated in a program structure. As with other appendices the focus here is on the single largest program classified as "Parks Maintenance". This program represents a net expenditure of $12,726,000 in a departmental budget of $43,434,000 (net) for the year 1982.

The purpose and the objectives of the Parks Maintenance Program are illustrated in Exhibit PL 2. As well, performance criteria are identified for 1982, 1983 and 1984 along with an estimate of the land and facilities that the department will be responsible for maintaining during 1982 and 1983.

Exhibit PL 3 identifies the specific range of activities included in the Parks Maintenance program. Two distinctive planning features are reflected in this exhibit: the time horizon of the estimates, and the separation of the estimates into "base", "growth" and "one-time costs" components.

The usefulness of separating spending estimates in this manner can be illustrated with reference to the "Turf Maintenance" activity. Exhibit PL 3 identifies the base component of funding in 1982 for this activity at $5,897,000. This level of funding is required to maintain existing service levels--in an inflationary environment--on the municipal 'turf' existing in 1981 (2915 hectares - Exhibit PL 2). In relation to the indicated actual spending on turf maintenance in 1981, the 1982 amount represents a 12.9% increase. The growth component of $310,000 for 1982 identifies the increased spending on turf maintenance arising from the acquisition of an additional 533 hectares of municipal turf in 1982 which must be maintained at the established level of service. Had these data not been separately identified, the total spending on turf maintenance in 1982 would simply have been identified as $6,207,000 ($5,897,000 plus $310,000), an 18.9% increase over 1981 spending.

This inclusion of estimated funding in the base component for two years beyond the current budget period (i.e. 1983 and 1984) provides for an early awareness of the financial implications of all programs and particularly new ones. The estimated 1983 base cost for turf maintenance ($6,605,000) presumably reflects a total of 3448 hectares (the 1981 base plus 1982 growth). It is also noteworthy that estimates of the aggregate growth components in 1983 and 1984 ($700,000 and $900,000) are presented without details in Exhibit PI 3.

The data in Exhibit PL 2 identifies the amount of land and facilities which the department estimates it will be responsible for in 1982 and 1983. This data provides a perspective with which to evaluate the budgeted increase in the base component. A perspective on the "growth" and "one-time" components of the program's activities is provided by the information contained in PL 4. For example, it can be seen from this exhibit that the $18,000 (identified in Exhibit PL 3) to fund "growth" in "fence maintenance" arises from the addition of 14.8 kilometres of fencing to Parks Maintenance responsibility in 1982. In addition, the 533 hectares of "growth" in turf maintenance is identified as involving 96 hectares of parks and 237 hectares of road boulevards.

Exhibit PL 5 indicates the range of additional information included in this municipality's parks maintenance budget. The information involves: manpower estimates; commissioner's adjustments to the original expenditure proposals and the expected impact of these cuts; and a variety of data analyses. Taken together, the data contained in this set of budget documents provide decision-makers with a richer and longer-term perspective than that available in traditional budget documents.

PLANNING DATA

EXHIBIT PL I
1982 OPERATING BUDGET

SCHEDULE B - SUMMARY OF PROGRAMS

RESPONSIBILITY CENTRE - PARK/RECREATION DEPARTMENT

$000's

Program No.	Description	Expenditure	Revenue	Net	Index Reference
269	Weed Control	$ 200	$ -	$ 200	501
270	Mosquito Control	248	126	122	502
425	General Administration	2,144	-	2,144	503
426	General Parks Operations Management	194	2	192	504
427	Planning and Development	1,276	31	1,245	505
429	Other Costs and Recoveries	12,782	5,515	7,267	506
430	Parks Maintenance	12,830	104	12,726*	507
431	Gardens	694	-	694	508
	.	.	.	.	.
	.	.	.	.	.
	.	.	.	.	.
444	Central Recreation Services	3,324	1,091	2,233	516
451	Zoo	4,094	409	3,685	517
452	Heritage Park	952	27	925	518
453	Planetarium	1,183	348	835	519
454	Golf Courses	1,659	1,859	(200)	520
456	Cemeteries	1,191	770	421	521
457	Area Management	1,508	-	1,508	522
458	Fort	342	52	290	523
754	Parks Playground Equipment Shop	-	-	-	524
755	Nursery and Greenhouse	60	60	-	525
TOTAL 1982 BUDGET		$ 58,626	$ 15,192	$ 43,434*	

FINANCING:

Conditional Grants	$ 5,954
Sale of Goods & Services	9,238
Licenses & Permits	
Court Fines	
Services Provided to Other Gov'ts.	
Miscellaneous Revenues	
Sub Total	$ 15,192
General Municipal Revenue	43,434
TOTAL	$ 58,626

PLANNING DATA

EXHIBIT PL 2
PARKS MAINTENANCE

PROGRAM DESCRIPTION

Maintenance of City Parks and related public recreational facilities. Of prime interest are lands associated with the city's rivers and waterways. Land is provided for communities to meet both active and passive leisure needs.

	1979	1980	1981	1982*	1983*
Developed Park Land (Hectares)	2513	2673	2915	3448	3600
Tennis Courts	95	110	120	127	135
Tot Lots	382	399	416	440	465
Ball Diamonds	198	218	235	250	265
Soccer/Football Fields	98	104	111	115	120
Ice Rinks	253	258	258	259	259

PROGRAM OBJECTIVES	PERFORMANCE CRITERIA	UNITS 1980 ACT.	1981 EST.	1982* EST.	1983* EST.	1984* EST.
Maintenance of open space to standards which are acceptable to the public and which preserve the long term viability of the City investment in landscaping improvements.	Park Maintenance Std. Cost per Hectare					
	Level 2	2478	2450	2347	2582	2840
	Level 3	1609	1525	1297	1426	1568
	Level 4	860	775	568	624	686
	Maintenance Cost per Year					
	New Trees	20.00	23.00	25.00	27.50	30.00
	New Shrubs	9.00	10.00	11.00	12.00	12.50
	Installation & Removal					
	Boarded Rinks	103	103	101	101	101
	City Pleasure Rinks	85	80	78	78	78
	Community Pleasure Rinks	65	75	80	80	80
		253	258	259	259	259

PLANNING DATA

EXHIBIT PL 3
PARKS MAINTENANCE - AREA MANAGERS

ACTIVITY	THOUSANDS OF DOLLARS					
	1980 Actual	1981 Indicated Actual	1981 Budget	1982 Budget	1983 Estimate	1984 Estimate
BASE COSTS						
Parks						
Turf Maintenance	4,254	5,222	5,162	5,897*	6,605*	7,397
Facilities & Furn. Mtce.	429	479	480	549	615	689
Maintenance of Fences	143	165	165	192	215	241
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.	.	.	.	.	.	.
.	.	.	.	.	.	.
Downtown Mall	48	73	73	83	93	104
Horticultural Society	1	1	1	1	1	1
Property Damage	78	25	25	28	31	35
Roadway Boulevards						
Grounds Maintenance	818	1,084	1,087	1,224	1,371	1,535
Maint. of Trees & Shrubs	459	661	637	740	829	928
Road & Pathway Maint.	11	8	8	12	13	15
Expenditures	8,800	10,736	10,686	12,176	13,637	15,272
Revenue	(66)	(83)	(65)	(104)	(116)	(130)
TOTAL BASE COSTS	8,734	10,653	10,621	12,072	13,521	15,142
GROWTH						
Parks						
Turf Maintenance				310*		
Facility & Furn. Mtce.				3		
.				.		
.				.		
.				.		
Tennis Courts				1		
Fence Maintenance				18*		
SUB-TOTAL				796		
Roadway Boulevards						
Grounds Maintenance				127		
Maint. of Trees & Shrubs				83		
SUB-TOTAL				210		
TOTAL GROWTH				1,006	700*	900*

EXHIBIT PL 3 (continued)
PARKS MAINTENANCE - AREA MANAGERS

ACTIVITY	THOUSANDS OF DOLLARS					
	1980 Actual	1981 Indicated Actual	1981 Budget	1982 Budget	1983 Estimate	1984 Estimate
ONE-TIME COSTS						
Maint. of Trees & Shrubs				48		
TOTAL ONE-TIME COSTS				48		
SUB-TOTAL	8,734	10,653	10,621	13,126	14,221	16,042
BUDGET AS SUBMITTED				13,126	14,221	16,042
COMMISSIONER'S RECOMMENDED ADJ.				(400)	(394)	(442)
RECOMMENDED BUDGET	8,734	10,653	10,621	12,726	13,827	15,600

PLANNING DATA

EXHIBIT PL 4
PARKS MAINTENANCE

GROWTH

Additional features to be maintained in 1982:

Parks		
Developed Land	296	Ha
Facility & Furnishings		
Litter Containers	94	
Park Benches	138	
Tables	20	
Maintenance of Trees & Shrubs		
Trees	5,352	
Shrubs	3,315	
Shrub Beds	1,208	Sq. Meters
Road & Pathway	21.5	K.M.
Fences	14.8	K.M.*
Playground Equipment	25	Sets
Natural Ice Rinks	1	
Tennis Courts	7	
Ball Diamonds	15	
Road Boulevards		
Developed Land	237	Ha
Maintenance of Trees & Shrubs		
Trees	2,584	
Shrubs	1,150	

ONE TIME COSTS

1. Maintenance of Trees & Shrubs - In response to public complaints, the pruning of trees at various locations in the south-west.

PLANNING DATA

EXHIBIT PL 5

COMMISSIONER'S RECOMMENDED ADJUSTMENTS

		Amount
1.	Under one time costs delete the pruning of trees in the south west. In future accommodate such projects in the normal long range maintenance program.	(48)
2.	Restrict cutting of grass on roadway Boulevards.	(202)
3.	Reduce turf maintenance standards in parks.	(150)
	Total	(400)

IMPACT OF COMMISSIONER'S CUTS

1. The deletion of funds for the pruning of trees in the south west will result in a less attractive appearance.
2. Restricting the cutting of grass along roadway Boulevards will result in a less attractive appearance.
3. Lowering of turf maintenance standards will result in a less attractive appearance in the parks.

1982 PERCENTAGE COMPARISONS

Gross Expenditures -	1982 budget/1981 budget	23.8
-	1982 budget/1981 indicated actual	23.2
Net Program -	1982 budget/1981 budget	19.8
-	1982 budget/1981 indicated actual	19.4

MAN YEARS	1980 Actual	1981 Indicated Actual	1981 Budget	1982 Budget	1983 Estimate	1984 Estimate
Base	270.8	270.8	270.8	270.8	287.0	296.0
Other				16.2	9.0	9.2
Part Year Credit						
Total	270.8	270.8	270.8	287.0	296.0	305.2

ILLUSTRATIVE MATERIAL

The Department's 1982 budget submission, after Commissioner's recommended adjustments, requests increases for inflation and activity growth while, with minor exceptions, maintaining a level of public service comparable to present conditions. Relative to the Department's 1981 approved budget the following increases are brought to Council's attention:

	$ (million)	%
Base Services	+2.8	+7.5
Activity Growth	+2.1	+5.9
Debt Service	+1.8	+4.8
	+6.7	+18.2

Major activity growth occurs in the following programs:

Leisure Centres	(436)	+450%
Planning & Development	(427)	+ 15%
Athletic Fields	(435)	+ 13%
Central Recreation	(444)	+ 14%
Parks Maintenance	(430)	+ 8%
General Administration	(425)	+ 9%
Zoo	(451)	+ 9%
Park	(452)	+ 9%

For additional information on this subject, get in touch with any of the field officers of the Local Government Division. They are located at these addresses.

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